

*No securities regulatory authority in Canada or any other jurisdiction has expressed an opinion about, or passed upon the fairness or merits of, the transaction described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offense to claim otherwise.*



**SATIVA WELLNESS GROUP INC.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD JANUARY 26, 2021**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DECEMBER 22, 2020**

**YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.**

Your vote is important regardless of the number of shares you own. Whether or not you are able to attend the meeting, we urge you to vote using your enclosed proxy or voting instruction form. Please carefully follow the instructions provided to vote your securities. If you have any questions or need assistance with voting, please contact: Anne Tew, Corporate Secretary, at [anne@sativawellnessgroup.com](mailto:anne@sativawellnessgroup.com)



## **SATIVA WELLNESS GROUP INC.**

### **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual general and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares (the "**Sativa Shares**") of Sativa Wellness Group Inc. ("**Sativa**" or the "**Company**") will be held at Macdonald Tuskey, Suite 409, 221 West Esplanade Street, North Vancouver, British Columbia on January 26, 2021 at 9:00 a.m. (Pacific time) for the following purposes:

1. to receive the financial statements of the Company for its fiscal years ended July 31, 2019 and July 31, 2020
2. to set the number of directors of the Company for the ensuing year at six (6);
3. to elect the directors of the Company for the ensuing year;
4. to appoint RSM Canada, 11 King St. W., Suite 700, Box 27, Toronto, Ontario, M5H 4C7, as auditors of the Company and to authorize the directors of the Company to fix the auditors remuneration;
5. to approve the Company's stock option plan, as described in the accompanying management information circular; and
6. to transact such other business, including amendments to the foregoing, as may properly come before the Meeting or any adjournment or adjournments thereof.

To access the meeting through the dial in number, follow the instructions below, as applicable to you:

Local – Toronto: (+1) 416 764 8658  
Toll Free- North America (+1) 888 886 7786  
United Kingdom (+44) 800 652 2435

Conference ID: 74326763

This Notice of Meeting is accompanied by a Management Information Circular of the Company (the "**Management Information Circular**") and either a form of proxy for registered Shareholders or a voting instruction form for beneficial Shareholders (collectively, the "**Meeting Materials**"). The nature of the business to be transacted at the Meeting is described in further detail in the accompanying Management Information Circular. The Management Information Circular is deemed to form part of this Notice of Meeting. Please read the Management Information Circular carefully before you vote on the matters to be presented at the Meeting.

The Directors of the Company have fixed the close of business on December 22, 2020 as the record date (the "**Record Date**") for determining Shareholders entitled to receive notice of and to vote at the Meeting. Only Shareholders whose names have been entered into the register of the holders of Stillcanna Shares as at December 22, 2020, will be entitled to receive notice of and to vote at the Meeting in respect of such Stillcanna Shares.

Registered shareholders (i.e., persons recorded in the Company's share registers as being a holder of Stillcanna Shares ("**Registered Shareholders**") may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders electing to submit a proxy may do so by:

- (a) by completing, dating and signing the enclosed form of proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), by mail to 3<sup>rd</sup> Floor - 510 Burrard Street, Vancouver, BC V6C 3B9, or by hand delivery to 3<sup>rd</sup> Floor - 510 Burrard Street, Vancouver, BC V6C 3B9;

and in all cases ensuring that the proxy is received before 9:00 am (Pacific time) on January 22, 2021 or no less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof.

All non-registered Shareholders (i.e. persons whose Sativa Shares are held through a broker, investment dealer, bank, trust company, nominee or other intermediary) who receive these materials through a broker or other intermediary should complete and return the materials in accordance with the instructions provided to them by such broker or intermediary.

DATED at Vancouver, British Columbia, as of this 22<sup>nd</sup> day of December, 2020.

*(signed) "Henry Lees-Buckley"*

By order of the Board of Directors  
Henry Lees-Buckley  
Chief Executive Officer



## **SATIVA WELLNESS GROUP INC.**

### **MANAGEMENT INFORMATION CIRCULAR AS AT AND DATED DECEMBER 22, 2020 (unless otherwise noted)**

#### **GENERAL INFORMATION**

##### **Introduction**

This Management Information Circular ("**Circular**") accompanies the Notice of the Annual General and Special Meeting ("**Notice of Meeting**") of holders ("**Shareholders**") of common shares (the "**Sativa Shares**") of Sativa Wellness Group Inc. ("**Sativa**" or the "**Company**") scheduled to be held on January 26, 2020 (the "**Meeting**"), and is furnished in connection with a solicitation of proxies by management of the Company for use at that Meeting and at any adjournment or postponement thereof. No person has been authorized to give any information or make any representation in connection with the Transaction (as defined herein) or any other matters to be considered at the Meeting other than those contained in this Circular (or incorporated by reference herein) and, if given or made, any such information or representation must not be relied upon as having been authorized.

The last annual general meeting of the shareholders of the Company was held on August 23, 2019.

##### **Information Contained in this Article**

The information contained in this Circular is given as at December 22, 2020, except where otherwise noted, and information contained in documents incorporated by reference herein is given as of the dates noted in those documents.

Neither the delivery of this Circular nor any distribution of or reference to the securities referred to in this Circular will, under any circumstance, provide any assurance or create any implication that there has been no change in the information set forth herein since the date as of which such information is given in this Circular.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

If you hold Sativa Shares through a broker, investment dealer, bank, trust company, nominee or other intermediary (collectively, an "**Intermediary**"), you should contact your Intermediary for instructions and assistance in voting at the Meeting.

### **Information for Beneficial Shareholders**

**Only those persons whose name appears on the register of Sativa as the owner of Sativa Shares ("Registered Holders") or duly appointed proxyholders are permitted to vote at the Meeting. Many shareholders are "non-registered" shareholders because the Sativa Shares they own are registered in the name of an Intermediary through which they hold the Sativa Shares.** More particularly, a person is not a Registered Holder in respect of Sativa Shares which are held on behalf of that person (the "**Beneficial Shareholder**") but which are registered either:

- (i) in the name of an Intermediary that the Beneficial Shareholder deals with in respect of the Sativa Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and tax free savings accounts and similar plans); or
- (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. or Cede & Co ) in which the Intermediary is a participant.

In Canada, the vast majority of such shares are registered under the name of CDS, which company acts as nominee for many Canadian brokerage firms Sativa Shares held by Intermediaries can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Sativa Shares held for Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Sativa Shares are communicated to the appropriate person or that the Sativa Shares are duly registered in their name.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be followed carefully by Beneficial Shareholders in order to ensure that their Stillcanna Shares are voted at the Meeting Often, the voting instruction form supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided to Registered Holders; however, its purpose is limited to instructing the registered shareholder 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 its voting instruction form (a "**VIF**"), which may be scanned, in lieu of the form of proxy. The Beneficial Shareholders will be requested to complete and return the VIF to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can vote by telephone or via the internet at [www.proxyvote.com](http://www.proxyvote.com). The various methods of voting will be provided by Broadridge on its VIF. Stillcanna may utilize the Broadridge QuickVoteM service to assist shareholders with voting their shares. A Beneficial Shareholder receiving a VIF from Broadridge cannot use that VIF to vote Sativa Shares directly at the Meeting as the VIF must be returned as directed by Broadridge in advance of the Meeting in order to have the Sativa Shares voted.

## **Conventions**

Words importing the singular include the plural and *vice versa*.

In this Circular, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to "dollars" or "\$" are to Canadian dollars, references to "US\$" are to United States dollars, references to "£", "sterling pound", "GBP", "pence", "p" or "sterling" are to the lawful currency of the United Kingdom and references to "€", "EUR" or "euros" are to the lawful currency of the European Union.

This Circular contains defined terms. For a list of certain defined terms used herein, see *Glossary of Terms* on the following page of the Circular.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

Solicitations will be made by mail and possibly supplemented by telephone, electronic means or other personal contact to be made without special compensation by directors, officers and employees of the Company. The Company may reimburse shareholders' nominees or agents for the cost incurred in obtaining from their principal's authorization to execute forms of proxy.

No person has been authorized to give any information or to make any representation other than as contained in this Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by the Company. The delivery of this Circular shall not create, under any circumstances, any implication that there has been no change in the Information set forth herein since the date of this Circular. This Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

### Record Date

The directors of Sativa have fixed December 22, 2020 as the Record Date for the determination of Shareholders entitled to receive notice of the Meeting Shareholders of record on that date are entitled to vote at the Meeting.

### Appointment of Proxyholder

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Those shareholders so desiring may be represented by proxy at the Meeting.** The persons named in the form of proxy accompanying this Circular are directors and/or officers of the Company ("**Management Appointees**"). **A Shareholder has the right to appoint a person or company (who need not be a shareholder) to attend and act on the Shareholder's behalf at the Meeting other than the Management Appointees.** To exercise this right, the Shareholder must either insert the name of the desired person in the blank space provided in the form of proxy accompanying this Circular and strike out the names of the Management Appointees or submit another proper form of proxy.

### Voting by Proxyholder

The Management Appointees named in the proxy will vote or withhold from voting the Sativa Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Sativa Shares will be voted accordingly. The proxy confers discretionary authority on the Management Appointees named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified,
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting

**In respect of a matter for which a choice is not specified in the proxy, the Management Appointee acting as a proxyholder will vote in favour of each matter identified on the proxy.**

## Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders electing to submit a proxy may do so by:

- (a) by completing, dating and signing the enclosed form of proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), by mail to 3<sup>rd</sup> Floor - 510 Burrard Street, Vancouver, BC V6C 3B9, or by hand delivery to 3<sup>rd</sup> Floor - 510 Burrard Street, Vancouver, BC V6C 3B9;

and in all cases ensuring that the proxy is received before 9:00 am (Pacific time) on January 22, 2020 or no less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

## Non-Registered (Beneficial) Shareholders

**Only Registered Shareholders whose names appear on the records of the Company or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are not registered shareholders because the shares they own are not registered in their names.** More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (a "**Beneficial Holder**") but which are registered either (a) in the name of an intermediary (an "**Intermediary**") that the Beneficial Holder deals with in respect of the shares including, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans; or (b) in the name of a clearing agency such as CDS of which the Intermediary is a participant. In accordance with securities regulatory policy, the Company has distributed copies of the Notice of Meeting, this Circular and the form of proxy accompanying this Circular (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries.

Current securities regulatory policy requires Intermediaries to forward the Meeting Materials to, and to seek voting instructions from, Beneficial Holders unless a Beneficial Holder has waived the right to receive them. Intermediaries will often use service companies to forward the Meeting Materials to Beneficial Holders. Generally, Beneficial Holders who have not waived the right to receive Meeting Materials will either:

- (a) Be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Beneficial Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Beneficial Holder when submitting the proxy. In this case, the Beneficial Holder who wishes to submit a proxy should otherwise properly complete this form of proxy and **submit it to the Company, c/o Computershare Investor Services Inc. 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, BC V6C 3B9 ; or**
- (b) more typically, be given a voting instruction or proxy authorization form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Beneficial Holder and **returned to the Intermediary or its service company**, (such as Broadridge Financial Solutions Inc.), will constitute voting instructions (often called a "proxy authorization form") which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the



one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for this proxy form to validly constitute a proxy authorization form, the Beneficial Holder must remove the label from the instructions and affix it to the proxy form, properly complete and sign the proxy form and return it to the Intermediary or its service company, or otherwise communicate voting instructions to the Intermediary or its service company (by way of telephone or the Internet, for example) in accordance with the instructions of the Intermediary or its service company. **A Beneficial Holder cannot use a proxy authorization form to vote shares directly at the Meeting.**

In either case, the purpose of this procedure is to permit Beneficial Holders to direct the voting of the Sativa Shares which they beneficially own.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Stillcanna Shares registered in the name of its Intermediary, he or she may attend the Meeting as a proxyholder for the Registered Holder and vote his or her Stillcanna Shares in that capacity. Should a Beneficial Shareholder wish to vote at the Meeting in person, it should enter its own name in the blank space on the form of proxy or voting information form provided to the Beneficial Shareholder and return the document to its 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 voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their shares voted at the Meeting.**

### **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing, or if the Registered Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof, and upon either of such deposits the proxy is revoked.

**Only Registered Shareholders have the right to revoke a proxy. Beneficial Holders who wish to change their vote must arrange for their Intermediaries to revoke the proxy on their behalf.**

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Company is authorized to issue an unlimited number of common shares without par value. As at December 22, 2020, there were 302,592,941 Sativa Shares issued and outstanding without par value that are entitled to be voted at the Meeting. The directors have determined that all Shareholders of record as of December 22, 2020 will be entitled to receive notice of and to vote at the Meeting.

At the Meeting, on a show of hands, every Registered Shareholder present in person and entitled to vote and every proxyholder duly appointed by a Registered Shareholder who would have been entitled to vote shall have one vote and, on a poll, every Registered Shareholder present in person or represented by proxy

or other proper authority and entitled to vote shall have one vote for each Stillcanna Share of which such shareholder is the registered holder Shares represented by proxy will only be voted as to the number of Stillcanna Shares represented if a poll or ballot is called for A poll or ballot may be requested by a Registered Shareholder or proxyholder present and entitled to vote at the Meeting.

To the knowledge of our directors and officers, Jeremy Thomas is the only one person or company that beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of our Shares as of the Record Date. Jeremy Thomas is the registered or beneficial holder of 78,406,390 Shares of the Company, representing 25.9% of the issued and outstanding Shares of the Company.

As of the date hereof, the directors and executive officers of the Company own, as a group, beneficially, directly or indirectly, 2,220,942 Shares of the Company. Mark Blower, Independent Director, is the registered holder of 2,010,420 shares of the company representing 0.66% of the issued and outstanding Shares of the Company. Jonathan Wearing, Independent Chairman and Director, is the registered holder of 16,754 shares of the company representing 0.01% of the issued and outstanding Shares of the Company. Jason Dussault, Director, is the registered holder of 110,000 shares of the company representing 0.04% of the issued and outstanding Shares of the Company. Anne Tew, Corporate Secretary is the registered holder of 83,768 shares of the company representing 0.03% of the issued and outstanding Shares of the Company.

## **ANNUAL GENERAL AND SPECIAL MEETING MATTERS AND OTHER MATTERS**

### **Votes Necessary to Pass Resolutions**

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein, except where stated to be a special resolution of the shareholders, in which case a two-thirds (2/3) majority of affirmative votes is required to be cast at the Meeting in order to pass a special resolution.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **A. FINANCIAL STATEMENTS**

The audited financial statements of the Company for each of the fiscal years ended July 31, 2019 and July 31, 2020 and the corresponding reports of the Companys auditors thereon, will be presented to the shareholders of the Meeting for their review and consideration.

#### **B. NUMBER OF DIRECTORS**

The Articles of the Company provide that the Company shall have a minimum of three and a maximum of that number of directors as may be fixed or changed from time to time by majority approval from the shareholders. Accordingly, shareholders will be asked to set the number of directors at six (6).

#### **C. ELECTION OF DIRECTORS**

At the Meeting, Shareholders of the Company will be asked to fix the number of directors of the Company at six.

Each director elected will hold office until the next annual meeting or until his successor is appointed, unless his office is earlier vacated in accordance with the Business Corporations Act (British Columbia) and the Articles of the Company.

Each of the nominees are currently members of the Board and have been since the dates indicated below. Management does not contemplate that any of the nominees will be unable to serve as a director. However, if a nominee should be unable to so serve for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. The persons named in the enclosed form of proxy intend to vote FOR the election of all of the nominees whose names are set forth below unless otherwise instructed to withhold from voting thereon on a properly executed and validly deposited proxy.

The following disclosure sets out the names of management's six nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Company and the number of Stillcanna Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the Record Date.

<b>Name, place of residence and position with Issuer</b>	<b>Principal occupation during the last five years</b>	<b>Date of Appointment as director or officer</b>	<b>Common Shares Beneficially Owned, Directly or Indirectly or Controlled or Directed as of the Date of the Listing Statement<sup>(1)</sup></b>
Henry Lees- Buckley, Tsawwassen, BC CEO and Director	<i>See Management Details</i>	<i>August 26, 2020</i>	Nil -
Joseph Colliver, Bath, England, CFO and Director	<i>See Management Details</i>	<i>August 26, 2020</i>	Nil -
Jonathan Wearing, London, England Director	<i>See Management Details</i>	<i>August 26, 2020</i>	16,754 <1%
Angus Kerr Marlborough, England Director	<i>See Management Details</i>	<i>August 26, 2020</i>	Nil -
Mark Blower, Crewe, England Director	<i>See Management Details</i>	<i>August 26, 2020</i>	2,010,439 <1%
Jason Dussault, Vancouver, BC Director	<i>See Management Details</i>	<i>April 20, 2018<sup>(2)</sup></i>	110,000 <1%

**Notes:**

- (1) Calculated based on a total aggregate issued and outstanding Common Shares of 302,592,773, on an undiluted basis.
- (2) Jason Dussault was appointed as CEO and Director of the Issuer on April 20, 2018 and resigned as CEO as of August 27, 2020;

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Company acting solely in such capacity.

**Unless you give other instructions, the persons named in the enclosed proxy intend to vote FOR setting the number of directors of the Company at five and FOR the election of the director nominees whose names are set forth herein.**

## **Cease Trade Orders or Bankruptcies**

Other than as disclosed below, no director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under securities law, for a period of more than 30 consecutive days;
- was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- 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.

## **Penalties and Sanctions**

No director or officer of the Issuer, or a shareholder holding a sufficient number of the Issuer's securities to affect materially the control of the Issuer, has been subject to:

- any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

## **D. APPOINTMENT OF AUDITORS**

Shareholders will be requested to appoint RSM Canada, 11 King St. W., Suite 700, Box 27, Toronto, Ontario, M5H 4C7 ("**RSM**") as auditors of the Company to hold office until the next annual meeting of shareholders and to authorize the directors of the Company to fix their remuneration and the terms of their engagement.

**To be approved, the resolution requires the affirmative vote of a majority of the votes cast on the resolution. Proxies received in favour of management will be voted in favour of the appointment of RSM as auditors of the Company to hold office until the next annual meeting of shareholders and the authorization of the directors to fix the auditors' remuneration and the terms of their engagement, unless the shareholder has specified in a proxy that his, her or its Shares are to be withheld from voting in respect thereof.**

## **E. RE-APPROVAL OF STOCK OPTION PLAN AND APPROVAL OF NEW STOCK OPTION PLAN**

### **Existing Sativa Option Plan**

During the financial year ended July 31, 2018, the Issuer adopted an incentive stock option plan (the "**Option Plan**") which provides that the Board may from time to time, in its discretion, and in accordance with applicable stock exchange requirements, grant to directors, officers, employees and technical consultants to the Issuer, non-transferable Options, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. Such Options will be exercisable for a period of up to 10 years from the date of grant.

The Board has not proceeded with a formal evaluation of the implications of the risks associated with the Issuer's compensation policies and practices. Risk management is a consideration of the Board when implementing its compensation program, and the Board does not believe that the Issuer's compensation program results in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Issuer.

The Plan is subject to the following restrictions:

- (a) The Issuer must not grant an Option to a consultant in any 12 month period that exceeds 2% of the outstanding Common Shares calculated at the date of grant of the Option;
- (b) The maximum number of Options which may be granted to any one holder under the Plan within any 12 month period shall be 5% of the number of issued and outstanding Common Shares calculated on a fully diluted basis (unless the Issuer has obtained disinterested shareholder approval if required by applicable laws);
- (c) If required by applicable laws, disinterested shareholder approval is required to the grant to related persons, within a 12 month period, of a number of Options which, when added to the number of outstanding Options granted to related persons within the previous 12 months, exceed 10% of the issued Common Shares calculated on a fully diluted basis; and
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares in any 12 month period to person employed to provide investor relation activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than a quarter of the Options vesting in any 3 month period.

In addition, the Plan is subject to the following restrictions under Canadian securities law, unless the Issuer has obtained disinterested shareholder approval:

- The maximum number of Options, calculated on a fully diluted basis, which may be reserved to any related persons under the Plan may not exceed 10% of the outstanding securities of the Issuer; and
- The maximum number of Options, calculated on a fully diluted basis, which may be reserved to a related person under the Plan may not exceed 5% of the outstanding securities of the Issuer.

The following is a summary of the material terms of the Plan:

- (a) Options may be granted to directors, employees, management company employees and consultants;
- (b) The exercise price of Options granted shall be determined by the Board in accordance with the policies of the applicable stock exchange;
- (c) The Board may determine the term of the Options, but the term shall in no event be greater than five years from the date of issuance;
- (d) generally, the Options expire 90 days from the date on which a participant ceases to be a director, officer, employee, management company employee or consultant of the Issuer; and
- (e) terms of vesting of the Options, the eligibility of directors, officers, employees, management company employees and consultants to receive Options, the expiration date of the Options and the number of Options issued to each participant shall be determined at the discretion of the Board, subject to the policies of the applicable stock exchange.

A full copy of the Option Plan is attached to this Circular as Schedule "A". Certain options have been issued outside the Option Plan (the "**Legacy Options**"), as set out in the Company's Listing Statement dated September 28, 2020. The following table summarizes the Legacy Options granted by the Issuer:

<b>Optionee</b>	<b>Option Instrument</b>	<b>Number of Option Instruments</b>	<b>Exercise Price</b>	<b>Hurdle Price</b>	<b>Expiry Date</b>
Executive Officers <sup>(1)(4)</sup>	Value Capped Options and MIP Shares	10,052,100	\$0.025	\$0.045	June 3, 2025
Executive Officers <sup>(1)</sup>	Replacement Options	1,122,485	\$0.075		March 30, 2030
Executive Officers <sup>(1)</sup>	Replacement Options	1,489,201	\$0.113		March 30, 2030
Executive Officers <sup>(1)</sup>	MIP Shares	1,030,985		\$0.039	June 17, 2025
Executive Officer <sup>(1)</sup>	Replacement Options	309,295	\$0.326		March 30, 2030
Executive Officer <sup>(1)</sup>	MIP Shares	446,760		\$0.039	June 17, 2025
Executive Officer <sup>(1)</sup>	MIP Shares	167,535		\$0.040	August 26, 2025
Non-Executive Directors <sup>(2)(4)</sup>	Options and MIP Shares	3,015,630	\$0.025	\$0.045	June 3, 2025
Non-Executive Directors <sup>(2)(4)</sup>	Value Capped Options and MIP Shares	744,600	\$0.113	\$0.045	June 3, 2025
Principal Shareholder <sup>(4)(5)</sup>	Options and MIP Shares	12,464,890	\$0.025	\$0.045	June 3, 2025
Consultant <sup>(4)</sup>	Value Capped Options and MIP Shares	1,675,350	\$0.025	\$0.045	June 3, 2025

Advisor	Replacement Options	25,775	\$0.326		December 6, 2028
Current & Past Employees <sup>(5)</sup>	Replacement Options	1,861,500	\$0.113		March 30, 2030
Current & Past Employees <sup>(3)</sup>	Replacement Options	51,549	\$0.326		March 30, 2030
Current & Past Employees <sup>(3)</sup>	Replacement Options	811,900		\$0.040	August 26, 2025
Past Director <sup>(4)</sup>	Replacement Options	4,188,375	\$0.025		March 1, 2023
Past Advisor <sup>(4)</sup>	Replacement Options	335,070	\$0.05		March 1, 2023

**Notes:**

- (1) A total of 14,618,361 Option Instruments applies to Executive Officers. This information applies to three executive officers, namely, Henry Lees-Buckley and Joseph Colliver, who are also directors of the Issuer, and the Company Secretary.
- (2) A total of 3,760,230 Option Instruments apply to Non-Executive Directors.
- (3) A total of 2,724,949 Option Instruments applies to current and past employees.
- (4) Options originally granted on March 1<sup>st</sup>, 2018, ahead of Sativa Group's listing on the AQSE stock exchange (previously, the NEX Exchange Growth Exchange) on March 29<sup>th</sup>, 2018, vesting on date of grant.
- (5) Jeremy Thomas is the registered or beneficial owner of Value Capped Options and MIP Shares granting him rights over up to 12,464,890 Common Shares. Jeremy has previously surrendered 21,209,645 Sativa Options to Sativa, in order to incentivize employees as part of the LongTerm Share Incentive awards, including all of the Option Instruments detailed in Note 3, above, and 10,052,100 to Henry Lees-Buckley, consultants and corporate sponsorship arrangements.

Including the Legacy Options, the total aggregate amount of Options outstanding, including the Options issued pursuant to the Option Plan, is 43,428,000, representing 43,428,000 Common Shares, which represents 14.35% of all issued and outstanding Common Shares.

Further information is available under the Company's profile on [www.sedar.com](http://www.sedar.com).

**Shareholder Approval**

At the Meeting, the Shareholders will be asked to vote on the following ordinary resolution (the "**Option Plan Approval Resolution**"):

"BE IT RESOLVED, as an ordinary resolution that:

1. The Company's Option Plan, is hereby approved, confirmed and ratified.
2. The issuance of the Legacy Options, is hereby approved, confirmed and ratified.
3. Any officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing resolution."

The Option Plan Re-Approval Resolution must be approved by at least a majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting. The Board believes that the Option Plan Re-Approval Resolution is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of the Option Plan Re-Approval Resolution.

The persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, will vote such proxies in favour of the Option Plan Re-Approval Resolution.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Except as otherwise set out herein, none of the directors or executive officers of the Company, none of the management proposed nominees for election as directors of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company's last financial year and no associate or affiliate of any of the foregoing 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 BUSINESS**

As of the date of this Circular, management knows of no other matters to be acted upon at this Meeting. However, should any other matters properly come before the Meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the shares represented by the proxy.

### **STATEMENT OF EXECUTIVE COMPENSATION**

#### **General**

The following information is provided as required under Form 51-102F6 - *Statement of Executive Compensation* (the "**Form**") and relates to the Company's most recently completed financial years ended July 31, 2019 and July 31, 2020.

#### **Director and NEO compensation, excluding compensation securities**

For the purposes hereof, a named executive officer ("**NEO**") of the Company means each of the following individuals:

- (a) the Chief Executive Officer ("**CEO**") of the Company;
- (b) the Chief Financial Officer ("**CFO**") of the Company;
- (c) each of the three most highly compensated Executive Officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000. "Executive Officer" means the chairman, and any vice-chairman, president, secretary or any vice-president and any officer of the Company or a subsidiary who performs a policymaking function in respect of the Company; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.



TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES							
Name and Principal Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Jason Dussault CEO and Director	2020	\$171,215 <sup>(1)</sup>	Nil	Nil	Nil	Nil	\$171,215
	2019	\$152,500	Nil	Nil	Nil	Nil	\$152,500
Joel Leonard CFO	2020 <sup>(2)</sup>	\$148,565 <sup>(3)</sup>	Nil	Nil	Nil	Nil	\$148,565
	2019	\$96,175	Nil	Nil	Nil	Nil	\$96,175
Shae De Jaray COO and Director	2020 <sup>(4)</sup>	\$162,000	Nil	Nil	Nil	Nil	\$162,000
	2019	\$154,162	Nil	Nil	Nil	Nil	\$154,162
William L. Macdonald Director	2020 <sup>(5)</sup>	Nil	Nil	Nil	Nil	\$69,325 <sup>(6)</sup>	\$69,325
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Warren Robinson Director	2020 <sup>(7)</sup>	Nil	Nil	Nil	Nil	\$80,898 <sup>(8)</sup>	\$80,898
	2019	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) This figure represents a salary of \$144,000 and consulting fees of \$27,215;
- (2) Mr. Leonard resigned as Chief Financial Officer effective August 27, 2020;
- (3) This figure represents a salary of \$143,000 and consulting fees of \$5,565;
- (4) Mr. De Jaray resigned as a director effective August 27, 2020;
- (5) Mr. Macdonald resigned as a director effective August 27, 2020;
- (6) This figure represents share based compensation;
- (7) Mr. Robinson resigned as a director effective August 27, 2020.
- (8) This figure represents share based compensation;

### External Management Companies

Other than as disclosed below and as set out below under "*Employment Contracts, Termination Benefits and Change of Control Benefits*", none of the NEOs or directors of the Company have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Company to provide executive management services to the Company, directly or indirectly.

During the year ended July 31, 2019, the Company paid consulting fees of \$96,175 and during the year ended July 31, 2018, the Company paid consulting fees \$15,000 to JCL Partners Chartered Professional Accountants, a Company controlled by Joel Leonard, Chief Financial Officer of the Company.

During the year ended July 31, 2019, the Company paid consulting fees of \$152,150 and during the year ended July 31, 2018, the Company paid consulting fees \$14,000 to Tilehead Enterprises Ltd., a Company controlled by Jason Dussault, a director and Chief Executive Officer of the Company.

## Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each director and NEO by the Company or one of its subsidiaries in the year ended July 31, 2019 and 2018 for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

Name and Position	Type of compensation security <sup>(1)</sup>	Number of compensation securities, number of underlying securities, and percentage of class <sup>(2)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing Price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Jason Dussault CEO and Director	Options	350,000 Options, 350,000 Shares, <1%	July 23, 2018	\$0.19	\$0.19	\$0.19	July 23, 2023
Joel Leonard CFO	Options	250,000 Options, 250,000 Shares, <1%	July 23, 2018	\$0.19	\$0.19	\$0.19	July 23, 2023
Shae De Jaray COO and Director	Options	250,000 Options, 250,000 Shares, <1%	October 15, 2018	\$0.63	\$0.63	\$0.63	October 15, 2023
Marc Crimeni, Director	Options	350,000 Options, 350,000 Shares, <1%	October 15, 2018	\$0.63	\$0.63	\$0.63	October 15, 2023
Ilona Kiss, Corporate Secretary	Options	200,000 Options, 200,000 Shares, <1%	May 27, 2019	\$1.23	\$1.23	\$1.23	May 27, 2019
William L. Macdonald Director	Options	300,000 Options, 300,000 Shares, <1%	May 27, 2019	\$1.23	\$1.23	\$1.23	May 27, 2024
Warren Robinson Director	Options	350,000 Options, 350,000 Shares, <1%	May 27, 2019	\$1.23	\$1.23	\$1.23	May 27, 2024
Ronald Miles Director	Options	50,000 Options 50,000 Shares <1%	July 23, 2018	\$0.19	\$0.19	\$0.19	July 23, 2023

**Notes:**

- (1) "Compensation Securities" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.
- (2) Calculated on a fully diluted basis.

None of the NEOs or directors of the Company exercised any compensation securities during the most recently completed financial year.

## **Stock Option Plans and Other Incentive Plans**

Other than the Option Plan and the RSU Plan (as defined below), the Company currently does not have any other stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan or portion of a plan under which awards are granted.

### *Stock Option Plan*

For a summary of the material terms of the Option Plan, please see "*Particulars of Matters to be Acted Upon at Meeting – Stock Option Plan*".

### *RSU Plan*

On February 5, 2018, the Board approved the adoption by the Company of a restricted share unit plan (the "**RSU Plan**"), which RSU Plan is designed to provide certain directors, officers, consultants and other key employees (an "**Eligible Person**") of the Company and its related entities with the opportunity to acquire restricted share units ("**RSUs**") of the Company. The acquisition of RSUs allows an Eligible Person to participate in the long-term success of the Company thus promoting the alignment of an Eligible Person's interests with that of the Shareholders.

The RSU Plan allows the Company to grant RSUs awarding up to a maximum of 3,885,800 Shares, under and subject to the terms and conditions of the RSU Plan, which RSUs may be exercised by any holder of RSUs to receive an Award Payout of either: (a) one Common Share of the Company for each whole vested RSU; or (b) a cash amount equal to the Vesting Date Value as at the Trigger Date of such vested RSU. Fractional Shares will not be issued pursuant to the RSU Plan; instead an RSU Plan Recipient entitled to a fractional Share is entitled to receive payment from the Company of cash value equal to the Vesting Date Value of such fractional Share.

No RSUs were granted during the years ended July 31, 2019, 2018 and 2017.

## **Employment Contracts, Termination Benefits and Change of Control Benefits**

The Company currently has employment and/or consulting agreements with executive officers and key consultants (see *Oversight and Description of Director and Name Executive Officer Compensation*).

The Board will assess whether such agreements are prudent as part of executive compensation review and recommend and enact various agreements as part of director appointments and other pending transactions in the Company.

## **Oversight and Description of Director and Name Executive Officer Compensation**

### *Elements of Compensation*

The objective of the Company's compensation program is to compensate the directors and executive officers for their services to the Company at a level that is both in line with the Company's fiscal resources and competitive with companies at a similar stage of development. The primary goal of the Company's executive compensation program is to:

- (a) attract and retain the qualified key executives necessary for the Company's long term success;
- (b) motivate the short term and long term performance of those executives; and
- (c) align the executives interests with the Company's shareholders.

The Company's compensation strategy is focused on a performance based incentive reward package, using certain critical measurements that management is able to influence toward the short-term and long-term objectives of the Company.

The significant elements of compensation awarded to, earned by, paid or payable to the NEOs for the most recently completed financial year were: (i) base salary; and (ii) incentive awards. No compensation is directly tied to a specific performance goal such as a milestone or the completion of a transaction. No peer group is formally used to determine compensation.

#### *Base Salary*

The base salary review of any NEO will take into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the NEO. Base salary is not expected to be evaluated against a formal "peer group". The base salaries for NEOs of the Company as of the date hereof are:

- (a) Henry Lees-Buckley – £250,000/year (~\$420,375)
- (b) Joseph Colliver – £120,000/year (~\$201,780)
- (c) Anne Tew – £80,000/year (~\$134,520)
- (d) Jason Dussault – \$120,000/year; and

#### *Performance-Based Cash Bonuses*

Cash bonuses are not a normal part of the Company's executive compensation. However, the Company may elect to utilize such incentives where the role-related context and competitive environment suggest that such a compensation modality is appropriate. When and if utilized, the amount of cash bonus compensation will normally be paid on the basis of timely achievement of specific pre-agreed milestones. Each milestone will be selected based upon consideration of its impact on shareholder value creation and the ability of the Company to achieve the milestone during a specific interval. The amount of bonus compensation will be determined based upon achievement of the milestone, its importance to the Company's near and long term goals at the time such bonus is being considered, the bonus compensation awarded to similarly situated executives in similarly situated companies or any other factors the Company may consider appropriate at the time such performance-based bonuses are decided upon.

#### *Stock Options*

The Company currently has the Option Plan in place for the purposes of attracting and motivating directors, officers, employees, and consultants of the Company and advancing the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Option Plan. Any grant of Options under the Option Plan is within the discretion of the Board, subject to the condition that the maximum number of Common Shares which may be reserved for

issuance under the Option Plan may not exceed 10% of the Company's issued and outstanding Common Shares.

Options are also an important component of aligning the objectives of the Company's employees with those of Shareholders. The Company expects to provide significant Option positions to senior employees and lesser amounts to lower-level employees.

See also "*Stock Option Plans and Other Incentive Plans— Stock Option Plan*" for further information with respect to the material terms of the Option Plan.

Notwithstanding the above, the Company is still in the development stage and has an informal compensation program and strategy. The management team is committed to developing the operations of the Company and will establish a formal compensation program for directors and executive officers once it begins generating revenues sufficient to sustain operations. The Board is responsible for determining, by way of discussions at Board meetings, the ultimate compensation to be paid to the executive officers of the Company. The Company does not have a formal compensation program with set benchmarks; however, the performance of each executive will be considered along with the Company's ability to pay compensation and its results of operation for the period.

The Company relies solely on its Board to determine the executive compensation that is to be paid to NEOs and directors without any formal objectives, criteria, or analysis.

#### *Pension Plan Benefits*

The Company does not provide a defined benefit plan or a defined contribution plan for any of its executive officers, nor does it have a deferred compensation plan for any of its executive officers.

### **EQUITY COMPENSATION PLAN INFORMATION**

The following table summarizes certain information regarding compensation plans of the Company as at July 31, 2019.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup> (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by securityholders	4,135,000 Options 22,999,320 Warrants	0.87 0.56	6,647,439 Options N/A
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>27,134,320</b>		<b>6,647,439</b>

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the current or former directors, executive officers or employees of the Company or any of its subsidiaries, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of them is or has been indebted to the Company or any of its subsidiaries at any time since the beginning of the Company's most recently completed financial year nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company.

## **CORPORATE GOVERNANCE DISCLOSURE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders and considers the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Company.

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), the Company is required to disclose its corporate governance practices, as summarized below. The Board will monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

National Policy 58-201 – *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its Shareholders and contribute to effective and efficient decision making.

### **Board of Directors**

As of the date of hereof, the Board consists of four directors: Henry Lees-Buckley, Jonathan Wearing, Angus Kerr, Mark Blower, Joseph Colliver and Jason Dussault.

At this time, Jonathan Wearing, Angus Kerr and Mark Blower are considered to be "independent" within the meaning of NI 58-101 (by way of Section 1.4 of NI 52-110). Henry Lees-Buckley and Joseph Colliver are not independent since they are the CEO and CFO of the Company, respectively. Jason Dussault is not considered independent as he was the previous CEO of the Company and carries out Investor Relations on behalf of the Company.

The Board approves all significant decisions that affect the Company before they are implemented. The Board supervises their implementation and reviews the results.

The Board is actively involved in the Company's strategic planning process. The Board discusses and reviews all materials relating to the strategic plan with management. The Board is responsible for reviewing and approving the strategic plan. At least one Board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the business. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan.

The Board periodically reviews the Company's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Company's internal control and management information systems. The Board also monitors the Company's compliance with its timely disclosure obligations and reviews material disclosure documents

prior to distribution. The Board periodically discusses the systems of internal control with the Company's external auditor.

The Board is responsible for choosing the CEO and appointing other Executives and for monitoring their performance and developing descriptions of the positions for the Board, including the limits on management's responsibilities and the corporate objectives to be met by the management.

The Board approves all the Company's major communications, including annual and quarterly reports, financing documents and press releases. The Company communicates with its stakeholders through a number of channels including its web site. The Board approved the Company's communication policy that covers the accurate and timely communication of all important information. It is reviewed annually. This policy includes procedures for communicating with analysts by conference calls.

The Board, through its Audit Committee, examines the effectiveness of the Company's internal control processes and management information systems. The Board consults with the external auditor and management of the Company to ensure the integrity of these systems. The external auditor submits a report to the Audit Committee each year on the quality of the Company's internal control processes and management information systems.

The Board reviews and assesses all material transactions for conflicts and board members abstain from voting on any matter where a potential conflict of interest exists.

### **Directorships**

None of the directors of the Company currently serve as directors of other reporting issuers, except Henry Lees-Buckley, who currently serves as a non-Executive Director of NASDAQ-quoted Building Materials Corp.

### **Orientation and Continuing Education**

Each new director of the Company is briefed about the nature of the Company's business, its corporate strategy and current issues within the Company. New directors will be encouraged to review the Company's public disclosure records as filed on under its profile at [www.sedar.com](http://www.sedar.com). Directors are also provided with access to management to better understand the operations of the Company, and to the Company's legal counsel to discuss their legal obligations as directors of the Company.

### **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under the corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction

(i) relates primarily to their remuneration as a director, officer, employee or agent of the Company or an affiliate of the Company, (ii) is for indemnity or insurance for the benefit of the director in connection with the Company, or (iii) is with an affiliate of the Company. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Company at the time it was entered into, the contract or transaction is not invalid, and the director is not accountable to the Company for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Company and the contract or transaction be approved by the shareholders of the Company by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

### **Nomination of Directors**

The Board of Directors is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of shareholders. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's mission and strategic objectives, and a willingness to serve.

### **Compensation**

The Board of Directors conducts reviews with regard to directors' compensation once a year. To make its recommendation on directors' compensation, the Board of Directors takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies as well as United Kingdom board members, and aligns the interests of Directors with the return to shareholders.

Given the Company's size, the Board has combined its compensation committee with its nominations committee to monitor and review the salary and benefits of the executive officers of the Company at the present time.

A copy of the Company's Remuneration and Compensation Committee is attached to this Circular as Schedule "B".

### **Other Board Committees**

As the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development.

### **Assessments**

Neither the Company nor the Board has developed a formal review system to assess the performance of the directors or the Board as a whole. The contributions of individual directors are monitored by other members of the Board on an informal basis through observation.



## AUDIT COMMITTEE

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") requires the Company to disclose annually in its management information circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth below.

The Audit Committee's mandate and charter can be described as follows:

1. Each member of the Audit Committee shall be a member of the Board of Directors, in good standing, and the majority of the members of the audit committee shall be independent in order to serve on this committee.
2. At least one of the members of the Audit Committee shall be financially literate.
3. Review the Audit Committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the Board of Directors. Consider changes that are necessary as a result of new laws or regulations.
4. The Audit Committee shall meet at least four times per year, and each time the Company proposes to issue a press release with its quarterly or annual earnings information. These meetings may be combined with regularly scheduled meetings, or more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
5. Conduct executive sessions with the outside auditors, outside counsel, and anyone else as desired by the committee.
6. The Audit Committee shall be authorized to hire outside counsel or other consultants as necessary (this may take place any time during the year).
7. Appoint the independent auditors to be engaged by the Company, establish the audit fees of the independent auditors, pre-approve any non-audit services provided by the independent auditors, including tax services, before the services are rendered. Review and evaluate the performance of the independent auditors and review the full board of directors any proposed discharge of the independent auditors.
8. Review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent auditor.
9. Consider, with management, the rationale for employing audit firms rather than the principal independent auditors.
10. Review with management and the independent auditors, all significant risks or exposures facing the Company; assess the steps the Management has taken or proposes to take to minimize such risks to the Company; and periodically review compliance with such steps.
11. Review with the independent auditor, the audit scope and plan of the independent auditors. Address the coordination of the audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
12. Inquire regarding the "quality of earnings" of the Company from a subjective as well as an objective standpoint.

13. Review with the independent accountants: (a) the adequacy of the Company's internal controls including computerized information systems controls and security; and (b) any related significant findings and recommendations of the independent auditors together with management's responses thereto.
14. Review with management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.
15. Review with management and the independent auditors, the interim annual financial report before it is filed with the regulatory authorities.
16. Review with each public accounting firm that performs an audit: (a) all critical accounting policies and practices used by the Company; and (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, the ramifications of each alternative and the treatment preferred by the Company.
17. Review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
18. Review with management and the independent auditors: (a) the Company's annual financial statements and related footnotes; (b) the independent auditors' audit of the financial statements and their report thereon; (c) the independent auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting; (d) any significant changes required in the independent auditors' audit plan; and (e) any serious difficulties or disputes with management encountered during the audit.
19. Periodically review the Company's code of conduct to ensure that it is adequate and up-to-date.
20. Review the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.
21. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. Review any submissions that have been received, the current status, and resolution if one has been reached.
22. The Audit Committee will perform such other functions as assigned by law, the Company's charter or bylaws, or the board of directors.
23. The Audit Committee will evaluate the independent auditors.

### **Audit Committee Charter**

The Audit Committee Charter is attached to this Circular as Schedule "C".

### **Composition of Audit Committee and Independence**

The following are members of the Audit Committee:

Angus Kerr	Independent Committee Chair	Financially Literate <sup>(1)</sup>
Jonathan Wearing	Independent	Financially Literate <sup>(1)</sup>
Mark Blower	Independent	Financially Literate <sup>(1)</sup>

**Notes:**

- (1) As defined in NI 52-110

A member of the audit committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of the Company's Board of Directors, reasonably interfere with the exercise of a member's independent judgement.

A member of the audit committee is considered 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 Company.

### **Relevant Education and Experience**

Angus Kerr is an Investment banker with 25 years' experience of financial analysis in corporate finance advising companies of all sizes on strategy, M&A, valuation and fund-raising. He has held MD roles at inter alia Dresdner Kleinwort, HSBC and Credit Suisse

Jonathan Wearing has a degree in Economics from Cambridge University and subsequently spent many years at Citicorp in London using the tools of financial analysis to make credit and valuation decisions about companies based on their accounts. Prior to joining the board of Sativa Jonathan spent over 10 years as the Chairman of Ideagen plc, utilizing, inter alia, the financial analysis skills acquired from his days in banking and investment banking

Mark Blower has 25 years in leveraged finance and private equity, lending and investing in businesses typically with an Enterprise Value of between £30m and £250m. In addition to Sativa he currently sits on the Audit and Remuneration committees of 3 European privately owned businesses.

### **Audit Committee Oversight**

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

### **Reliance on Certain Exemptions**

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or
- (b) the exemption in subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*) of NI 52-110; or
- (c) the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*) of NI 52-110; or
- (d) the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*) of NI 52-110; or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

## Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services but follows international guidance on independence.

## External Auditor Service Fees

The following table sets out the aggregate fees billed by the Company's previous external auditors, Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants, for the year ended July 31, 2020, and 2019:

Audit Service Fees	Year Ended July 31, 2020	Year Ended July 31, 2019
Audit Fees <sup>(1)</sup>	\$64,500	\$98,598
Audit Related Fees <sup>(2)</sup>	\$42,500	\$25,597
Tax Fees <sup>(3)</sup>	Nil	\$6,300
All Other Fees <sup>(4)</sup>	Nil	\$4,200
Total	\$107,000	\$134,695

### Notes:

- (1) The aggregate fees billed by the Company's auditor for audit fees (consolidated statements).
- (2) The aggregate fees billed for assurance and related services by the Company's auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the 'Audit Fees' column.
- (3) The aggregate fees billed for professional services rendered by the Company's auditor for tax compliance, tax advice and tax planning.
- (4) The aggregate fees billed for professional services other than those listed in the other three columns.

## Exemption

The Company is relying on the exemption in section 6.1 of NI 52-110 from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no: (a) director, proposed director or executive officer of the Company; (b) person or company who beneficially owns, or controls or directs, directly or indirectly, or a combination of both, Stillcanna Shares, carrying more than ten percent of the voting rights attached to the outstanding common shares of the Company (an "**Insider**"); (c) director or executive officer of a person or company that is itself an Insider or Subsidiary of the Company; or (d) any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction that has materially affected or would materially affect the Company, except with respect to an interest arising from the ownership of common shares of the Company where such person or company will receive no extra or special benefit or advantage not shared on a pro-rata basis by all holders of Stillcanna Shares. See also *Interest of Certain Persons or Companies in Matters to be Acted Upon* below.

## MANAGEMENT CONTRACTS

There are no management functions of the Company, which are, to any substantial degree, performed by a person other than the directors or executive officers of the Company.

## GENERAL

**Unless otherwise directed, it is the intention of the Management Appointees to vote proxies in favour of the resolutions set forth herein.** All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the Shareholders. All special resolutions require, for the passing of the same, a 2/3 majority of the votes cast at the Meeting by the shareholders.

## ADDITIONAL INFORMATION

Additional information relating to Sativa is included in the audited financial statements of Sativa for the year ended July 31, 2020 and 2019 a copy of which has been filed on [www.sedar.com](http://www.sedar.com).

Additional information is also available upon request at the operating office of the Company. The Company's email address is [enquiries@sativawellnessgroup.com](mailto:enquiries@sativawellnessgroup.com).

## DIRECTOR APPROVAL

The contents of this Circular and its distribution to Shareholders have been approved by the Board.

Dated at Vancouver, British Columbia, Canada, on this 22<sup>nd</sup> day of December, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS OF THE COMPANY**

*(signed) "Henry Lees-Buckley"*

Henry Lees-Buckley  
CEO and Director

## SCHEDULE "A"

### SATIVA WELLNESS GROUP INC. (the "Company")

#### 2021 STOCK OPTION PLAN

#### 1. PURPOSE OF THE PLAN

The Company hereby establishes a stock option plan for directors, senior officers, Employees, Management Company Employees and Consultants (as such terms are defined below) of the Company and its subsidiaries (collectively "**Eligible Persons**"), to be known as the "2019 Stock Option Plan" (the "**Plan**"). The purpose of the Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to ten (10) years as determined by the board of directors of the Company, to buy shares of the Company at a price not less than the Market Price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the Exchanges and approved by the Board.

#### 2. DEFINITIONS

In this Plan, the following terms shall have the following meanings:

- 2.1 "**Board**" means the Board of Directors of the Company.
- 2.2 "**Change of Control**" means the acquisition by any person or by any person and all Joint Actors, whether directly or indirectly, of voting securities (as defined in the Securities Act) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a Joint Actor, totals for the first time not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board.
- 2.3 "**Company**" means Sativa Wellness Group Inc. and its successors.
- 2.4 "**Consultant**" means a *bona fide* consultant of the Company or its subsidiaries.
- 2.5 "**Consultant Company**" means a Consultant that is a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
- 2.6 "**Disability**" means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
- (a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or
  - (b) acting as a director or officer of the Company or its subsidiaries.
- 2.7 "**Discounted Market Price**" of Shares means, if the Shares are listed only on the TSX Venture Exchange, the Market Price less the maximum discount permitted under the TSX Venture Exchange policy applicable to incentive stock options.
- 2.8 "**Disinterested Shareholder Approval**" means a majority of the votes attaching to shares voted at a meeting of shareholders of the Company, excluding the votes attaching to shares held by persons

with an interest in the subject matter of the resolution, in accordance with the policies of the Exchanges.

- 2.9** "**Eligible Persons**" has the meaning given to that term in section 1 hereof.
- 2.10** "**Employee**" means a *bona fide* employee of the Company or its subsidiaries.
- 2.11** "**Exchanges**" means the Canadian Stock Exchange and, if applicable, any other stock exchange on which the Shares are listed.
- 2.12** "**Expiry Date**" means the date set by the Board under section 3.1 hereof, as the last date on which an Option may be exercised.
- 2.13** "**Grant Date**" means the date specified in an Option Agreement as the date on which an Option is granted.
- 2.14** "**Insider**" means an "Insider" as defined in the policies included in the TSX Venture Exchange Corporate Finance Manual.
- 2.15** "**Investor Relations Activities**" means "Investor Relations Activities" as defined in the applicable policies of the Exchanges.
- 2.16** "**Joint Actor**" means a person "acting jointly or in concert" with another person as that phrase is interpreted in National Instrument 62-104 *Take-Over Bids and Issuer Bids*.
- 2.17** "**Management Company Employee**" means an individual employed by another individual or a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity providing management services to the Company or its subsidiaries, which are required for the ongoing successful operation of the business enterprise of the Company or its subsidiaries, but excluding any individual, corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity engaged in Investor Relations Activities.
- 2.18** "**Market Price**" of Shares at any Grant Date means the greater of the last closing price per Share on the Exchanges on (a) the trading day prior to the Grant Date; and (b) the Grant Date. If the Shares are not listed on any stock exchange, "Market Price" of Shares means the price per Share on the over-the-counter market determined by dividing the aggregate sale price of the Shares sold by the total number of such Shares so sold on the applicable market for the last day prior to the Grant Date, or such other price as determined by the Board to be the fair market value of a Share.
- 2.19** "**Option**" means an option to purchase Shares granted pursuant to this Plan.
- 2.20** "**Option Agreement**" means an agreement, in the form attached hereto as Schedule "A", whereby the Company grants to an Optionee an Option.
- 2.21** "**Optionee**" means each of the Eligible Persons granted an Option pursuant to this Plan and their heirs, executors and administrators.
- 2.22** "**Option Price**" means the price per Share specified in an Option Agreement, as adjusted from time to time in accordance with the provisions of section 5.
- 2.23** "**Option Shares**" means the aggregate number of Shares which an Optionee may purchase under an Option.
- 2.24** "**Plan**" means this 2019 Stock Option Plan.

- 2.25** "**Shares**" means the common shares in the capital of the Company as constituted on the Grant Date provided that, in the event of any adjustment pursuant to section 5, "Shares" shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.
- 2.26** "**Securities Act**" means the *Securities Act*, R.S.B.C. 1996, c.418, as amended, as at the date hereof.
- 2.27** "**Unissued Option Shares**" means the number of Shares, at a particular time, which have been reserved for issuance upon the exercise of an Option but which have not been issued, as adjusted from time to time in accordance with the provisions of section 5, such adjustments to be cumulative.
- 2.28** "**Vested**" means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

### **3. GRANT OF OPTIONS**

#### **3.1 Option Terms**

The Board may from time to time authorize the issue of Options to Eligible Persons. The Option Price under each Option shall be not less than the Market Price or, if permitted by the policies of the Exchanges, the Discounted Market Price on the Grant Date. The Expiry Date for each Option shall be set by the Board at the time of issue of the Option and shall not be more than ten (10) years after the Grant Date, subject to the operation of section 4.5. Options shall not be assignable (or transferable) by the Optionee. Subject to applicable Securities Laws, the Board will retain the discretion to extend the expiry date of Options.

#### **3.2 Previously Granted Options**

In the event that on the date this Plan is implemented and effective (the "**Effective Date**") there are outstanding stock options (the "**Pre-Existing Options**") that were previously granted by the Company pursuant to any stock option plan in place prior to the Effective Date (a "**Pre-Existing Plan**"), all such Pre-Existing Options shall, effective as of the Effective Date, be governed by and subject to the terms of the Plan.

#### **3.3 Limits on Shares Issuable on Exercise of Options**

At the time of grant of any Option, provided that the Shares are listed on Exchanges, the aggregate number of Shares reserved for issuance under the Plan which may be made subject to Options at any time and from time to time (including those issuable upon the exercise of Pre-Existing Options) shall not exceed 10% of the total number of issued and outstanding Shares, on a non-diluted basis, as constituted on the Grant Date of such Option.

The number of Shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

- (a) to any one Optionee, shall not exceed 5% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis, unless the Company and has obtained Disinterested Shareholder Approval;
- (b) to Insiders as a group shall not exceed 10% of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis, unless the Company has obtained Disinterested Shareholder Approval; and
- (c) to all Eligible Persons who undertake Investor Relations Activities shall not exceed 1% in the aggregate of the total number of issued and outstanding Shares on the Grant Date on a non-diluted basis.



### **3.4 Option Agreements**

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Company the Option Shares at the time and in the manner set out in the Plan and in the Option Agreement applicable to that Optionee. In respect of Options granted to Employees, Consultants, Consultant Companies or Management Company Employees, the Company is representing herein and in the applicable Option Agreement that the Optionee is a bona fide Employee, Consultant, Consultant Company or Management Company Employee, as the case may be, of the Company or its subsidiary. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

## **4. EXERCISE OF OPTIONS**

### **4.1 When Options May be Exercised**

Subject to sections 4.3, 4.4 and 4.5, an Option may be exercised to purchase any number of Option Shares up to the number of Vested Unissued Option Shares at any time after the Grant Date up to 4:00 p.m. Pacific Time on the Expiry Date and shall not be exercisable thereafter.

### **4.2 Manner of Exercise**

The Option shall be exercisable by delivering to the Company a notice specifying the number of Option Shares in respect of which the Option is exercised together with payment in full of the Option Price for each such Option Share. Upon notice and payment there will be a binding contract for the issue of the Option Shares in respect of which the Option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cheque payable to the Company in the amount of the Option Price shall constitute payment of the Option Price unless the cheque is not honoured upon presentation in which case the Option shall not have been validly exercised.

### **4.3 Vesting of Option Shares**

The Board, subject to the policies of the Exchanges, may determine and impose terms upon which each Option shall become Vested in respect of Option Shares. Unless otherwise specified by the Board at the time of granting an Option, and subject to the other limits on Option grants set out in section 3.3 hereof, all Options granted under the Plan shall vest and become exercisable in full upon grant, except Options granted to Consultants performing Investor Relations Activities, which Options must vest in stages over twelve months with no more than one-quarter of the Options vesting in any three month period. Notwithstanding the foregoing, in the event that a Pre-Existing Plan imposed vesting requirements on a Pre-Existing Option, such vesting requirements must be satisfied before any such Pre-Existing Options shall become Vested.

### **4.4 Termination of Employment**

If an Optionee ceases to be an Eligible Person, his or her Option shall be exercisable as follows:

(a) Death or Disability

If the Optionee ceases to be an Eligible Person, due to his or her death or Disability or, in the case of an Optionee that is a company, the death or Disability of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of:

- (i) 365 days after the date of death or Disability; and
- (ii) the Expiry Date.

(b) Termination For Cause

If the Optionee ceases to be an Eligible Person as a result of "termination for cause" of such Optionee by the Company or its subsidiary (or in the case of an Optionee who is a Management Company Employee or Consultant, by the Optionee's employer), as that term is interpreted by the courts of the jurisdiction in which the Optionee is employed or engaged, any outstanding Option held by such Optionee on the date of such termination, whether in respect of Option Shares that are Vested or not, shall be cancelled as of that date.

(c) Early Retirement, Voluntary Resignation or Termination Other than For Cause

If the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force, or due to his or her termination by the Company other than for cause, or due to his or her voluntary resignation, the Option then held by the Optionee shall be exercisable to acquire Unissued Option Shares at any time up to but not after the earlier of the Expiry Date and the date which is 365 days (90 days if the Optionee was engaged in Investor Relations Activities) after the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person. Notwithstanding the foregoing, the Board of Directors of the Company may, in its sole discretion if it determines such is in the best interests of the Company, extend this 365 day termination date to a later date within a reasonable period not exceeding the earlier of the Expiry Date and to one year in accordance with the applicable Securities Laws to incentive stock options.

(d) Spin-Out Transactions

If pursuant to the operation of subsection 5.3(c) an Optionee receives options (the "**New Options**") to purchase securities of another company (the "**New Company**") in respect of the Optionee's Options (the "**Subject Options**"), the New Options shall expire on the earlier of: (i) the Expiry Date of the Subject Options; (ii) if the Optionee does not become an Eligible Person in respect of the New Company, the date that the Subject Options expire pursuant to subsections 4.4(a), (b) or (c), as applicable; (iii) if the Optionee becomes an Eligible Person in respect of the New Company, the date that the New Options expire pursuant to the terms of the New Company's stock option plan that correspond to subsections 4.4(a), (b) or (c) hereof; and (iv) the date that is one (1) year after the Optionee ceases to be an Eligible Person in respect of the New Company or such shorter period as determined by the Board.

For purposes of this section 4.4, the dates of death, Disability, termination, retirement, voluntary resignation, ceasing to be an Eligible Person and incapacity shall be interpreted to be without regard to any period of notice (statutory or otherwise) or whether the Optionee or his or her estate continues thereafter to receive any compensatory payments from the Company or is paid salary by the Company in lieu of notice of termination.

For greater certainty, an Option that had not become Vested in respect of certain Unissued Option Shares at the time that the relevant event referred to in this section 4.4 occurred, shall not be or become vested or exercisable in respect of such Unissued Option Shares and shall be cancelled.

#### **4.5 Extension of Expiry Date During Black-Out Period**

If the Expiry Date in respect of any Option occurs during or within five (5) trading days following a trading black-out period imposed by the Company, the Expiry Date of the Option shall be

{W0405110}

automatically extended to the date that is ten (10) trading days following the end of such black-out period (the "**Extension Period**"); provided that if an additional black-out period is subsequently imposed by the Company during the Extension Period, then such Extension Period shall be deemed to commence following the end of such additional black-out period to enable the exercise of such Options within ten (10) trading days following the end of the last imposed black-out period.

#### **4.6 Effect of a Take-Over Bid**

If a *bona fide* offer (an "**Offer**") for Shares is made to the Optionee or to shareholders of the Company generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of Subsection 1(1) of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon (subject to the approval of the Exchanges) all Option Shares subject to such Option will become Vested and the Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Option Shares received upon such exercise, or in the case of subsection (b) above, the Option Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised and the terms upon which such Option Shares were to become Vested pursuant to section 4.3 shall be reinstated. If any Option Shares are returned to the Company under this section 4.6, the Company shall immediately refund the exercise price to the Optionee for such Option Shares.

#### **4.7 Acceleration of Expiry Date**

If at any time when an Option granted under the Plan remains unexercised with respect to any Unissued Option Shares, an Offer is made by an offeror, the Board may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan, Vested, and declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer, provided that any accelerated vesting of Options granted to Consultants performing Investor Relations Activities shall be subject to the prior written approval of the Exchanges. The Board shall give each Optionee as much notice as possible of the acceleration of the Options under this section 4.7, except that not less than 5 business days' and not more than 35 days' notice is required.

#### **4.8 Compulsory Acquisition or Going Private Transaction**

If and whenever, following a take-over bid or issuer bid, there shall be a compulsory acquisition of the Shares of the Company pursuant to Division 6 of the *Business Corporations Act* (British Columbia) or any successor or similar legislation, or any amalgamation, merger or arrangement in which securities acquired in a formal take-over bid may be voted under the conditions described in Section 8.2 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, then following the date upon which such compulsory acquisition, amalgamation, merger or arrangement is effective, an Optionee shall be entitled to receive, and shall accept, for the same exercise price, in lieu of the number of Shares to which such Optionee was theretofore entitled to purchase upon the exercise of his or her Options, the aggregate amount of cash, shares, other securities or other property which such Optionee would have been entitled to receive as a result of such bid if he or she had tendered such number of Shares to the take-over bid.

#### **4.9 Effect of a Change of Control**

If a Change of Control occurs, all Option Shares subject to each outstanding Option will become Vested, whereupon such Option may be exercised in whole or in part by the Optionee, subject to the approval of the Exchanges, if necessary.

#### **4.10 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement**

If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company (including, in the case of a Management Company Employee or Consultant, termination of the company providing such management or consulting services to the Company or its subsidiary), the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not Vested at that time or which, if Vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

#### **4.11 Shares Not Acquired**

Any Unissued Option Shares not acquired by an Optionee under an Option which has expired may be made the subject of a further Option pursuant to the provisions of the Plan.

### **5. ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES**

#### **5.1 Share Reorganization**

Whenever the Company issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a "**Share Reorganization**") then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

- (a) the Option Price will be adjusted to a price per Share which is the product of:
  - (i) the Option Price in effect immediately before that effective date or record date; and
  - (ii) a fraction, the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and
- (b) the number of Unissued Option Shares will be adjusted by multiplying (i) the number of Unissued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the fraction described in clause (a)(ii).

#### **5.2 Special Distribution**

Subject to the prior approval of the Exchanges, whenever the Company issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares;

- (a) shares of the Company, other than the Shares;

- (b) evidences of indebtedness;
- (c) any cash or other assets, excluding cash dividends (other than cash dividends which the Board has determined to be outside the normal course); or
- (d) rights, options or warrants;

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a "**Special Distribution**"), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price will be reduced, and the number of Unissued Option Shares will be correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Option Shares as a result of such Special Distribution.

### **5.3 Corporate Organization**

Whenever there is:

- (a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Company, other than as described in sections 5.1 or 5.2;
- (b) a consolidation, merger or amalgamation of the Company with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities;
- (c) an arrangement or other transaction under which, among other things, the business or assets of the Company become, collectively, the business and assets of two or more companies with the same shareholder group upon the distribution to the Company's shareholders, or the exchange with the Company's shareholders, of securities of the Company, or securities of another company, or both; or
- (d) a transaction whereby all or substantially all of the Company's undertaking and assets become the property of another corporation;

(any such event being herein called a "**Corporate Reorganization**") the Optionee will have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the Plan) and will accept on the exercise of such option, in lieu of the Unissued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Unissued Option Shares or if appropriate, as otherwise determined by the Board.

### **5.4 Determination of Option Price and Number of Unissued Option Shares**

If any questions arise at any time with respect to the Option Price or number of Unissued Option Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Company's auditor, or, if they decline to so act, any other firm of Chartered Accountants in Vancouver, British Columbia, that the Board may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

### **5.5 Regulatory Approval**

Any adjustment to the Option Price or the number of Unissued Option Shares purchasable under

{W0405110}

the Plan pursuant to the operation of any one of sections 5.1, 5.2 or 5.3 is subject to the approval of the Exchanges and any other governmental authority having jurisdiction.

## **6. MISCELLANEOUS**

### **6.1 Right to Employment**

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or continued employment with the Company or any subsidiary of the Company or interfere in any way with the right of the Company or any subsidiary of the Company to terminate such employment.

### **6.2 Necessary Approvals**

Disinterested Shareholder Approval (as required by the Exchanges) will be obtained for any reduction in the exercise price of any Option granted under this Plan if the Optionee is an Insider of the Company at the time of the proposed amendment. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchanges and any governmental authority having jurisdiction. If any Shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any Option Price paid by an Optionee to the Company shall be immediately refunded to the Optionee by the Company.

### **6.3 Administration of the Plan**

The Board shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in section 5.4, the interpretation and construction of any provision of the Plan by the Board shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

### **6.4 Withholding Taxes**

The Company or any subsidiary of the Company may take such steps as are considered necessary or appropriate for the withholding and/or remittance of any taxes which the Company or any subsidiary of the Company is required by any law or regulation of any governmental authority whatsoever to withhold and/or remit in connection with any Option or Option exercise including, without limiting the generality of the foregoing, the withholding and/or remitting of all or any portion of any payment or the withholding of the issue of Common Shares to be issued upon the exercise of any Option until such time as the Optionee has paid to the Company or any subsidiary of the Company (in addition to the exercise price payable for the exercise of Options) the amount which the Company or subsidiary of the Company reasonably determines is required to be withheld and/or remitted with respect to such taxes.

### **6.5 Amendments to the Plan**

The Board may from time to time, subject to applicable law and to the prior approval, if required, of the shareholders, the Exchanges or any other regulatory body having authority over the Company or the Plan, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and the Option Agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any Option previously granted to an Optionee under the Plan without the consent of that Optionee.

### **6.6 Form of Notice**

{W0405110}

A notice given to the Company shall be in writing, signed by the Optionee and delivered to the head business office of the Company.

**6.7 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

**6.8 Compliance with Applicable Law**

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith. All Options are subject to the rules and regulations of the applicable regulatory authorities and securities laws.

**6.9 No Assignment**

No Optionee may assign any of his or her rights under the Plan or any option granted thereunder.

**6.10 Rights of Optionees**

An Optionee shall have no rights whatsoever as a shareholder of the Company in respect of any of the Unissued Option Shares (including, without limitation, voting rights or any right to receive dividends, warrants or rights under any rights offering).

**6.11 Conflict**

In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

**6.12 Governing Law**

The Plan and each Option Agreement issued pursuant to the Plan shall be governed by the laws of the province of British Columbia.

**6.13 Time of Essence**

Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.

**6.14 Entire Agreement**

This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

**Approved by the Board of Directors on May 27, 2019**

SCHEDULE "A"

SATIVA WELLNESS GROUP INC.

STOCK OPTION PLAN - OPTION AGREEMENT

[If Shares are listed on the TSX Venture Exchange, the following legend is required in respect of: (i) Options with an Option Price at a discount to the Market Price; or (ii) Options granted to directors, officers, promoters of the Company or persons holding securities carrying more than 10% of the voting rights and who have elected or appointed or have the right to elect or appoint one or more directors or senior officers of the Company: *Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this agreement and any securities issued upon exercise thereof may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until ●, 201● [four months and one day after the date of grant].*]

This Option Agreement is entered into between StillCanna Inc. (the "Company") and the Optionee named below pursuant to the Company's 2018 Stock Option Plan (the "Plan"), a copy of which is attached hereto, and confirms that:

1. on ●, 201● (the "Grant Date");
2. ● (the "Optionee");
3. was granted the option (the "Option") to purchase ● Common Shares (the "Option Shares") of the Company;
4. for the price (the "Option Price") of \$● per Option Share;
5. which shall be exercisable immediately commencing on the Grant Date [OR set forth applicable vesting schedule];
6. terminating on the ●, 201● (the "Expiry Date");

all on the terms and subject to the conditions set out in the Plan. For greater certainty, Option Shares continue to be exercisable until the termination or cancellation thereof as provided in this Option Agreement and the Plan.

The Optionee acknowledges that any Option Shares received by him upon exercise of the Option have not been registered under the United States *Securities Act of 1933*, as amended, or the Blue Sky laws of any state (collectively, the "**Securities Acts**"). The Optionee acknowledges and understands that the Company is under no obligation to register, under the Securities Acts, the Option Shares received by him or to assist him in complying with any exemption from such registration if he should at a later date wish to dispose of the Option Shares. **[Following to be included in Option Agreements with "U.S. Persons" - The Optionee acknowledges that the Option Shares shall bear a legend restricting the transferability thereof, such legend to be substantially in the following form (or such other form as may be advised by counsel to the Company):**

*"The shares represented by this certificate have not been registered or qualified under the United States Securities Act of 1933, as amended or state securities laws. The shares may not be offered for sale, sold, pledged or otherwise disposed of unless so registered or qualified, unless an exemption exists or unless such disposition is not subject to U.S. federal or state securities laws, and the Company may require that the availability of any exemption or the inapplicability of such securities laws be established by an opinion of counsel, which opinion of counsel shall be reasonably satisfactory to the Company."*

By signing this Option Agreement, the Optionee acknowledges that the Optionee has read and understands the Plan and agrees to the terms and conditions of the Plan and this Option Agreement.



**Acknowledgement – Personal Information**

The Optionee hereby acknowledges and consents to:

- (a) the disclosure to the Canadian Securities Exchange and all other regulatory authorities of all personal information of the undersigned obtained by the Company; and
- (b) the collection, use and disclosure of such personal information by the Canadian Securities Exchange and all other regulatory authorities in accordance with their requirements, including the provision to third party service providers, from time to time.

● IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ● day of ●, 202  
●.

**SATIVA WELLNESS GROUP INC.**

\_\_\_\_\_  
Signature

Per: \_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Address

\_\_\_\_\_

**SATIVA WELLNESS GROUP INC.**

**STOCK OPTION PLAN**

**NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
#503-905 West Pender Street, Vancouver, BC V6C  
(or such other address as the Company may advise)

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the "Plan") of StillCanna Inc. (the "Company"), of the exercise of the Option to acquire and hereby subscribes for **(cross out inapplicable item)**:

- (a) all of the Shares; or
- (b) \_\_\_\_\_ of the Shares;

which are the subject of the Option Certificate attached hereto **(attach your original Option Certificate)**.

The undersigned tenders herewith a certified cheque or bank draft **(circle one)** payable to "Sativa Wellness Group Inc." in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue the certificate evidencing said Shares in the name of the undersigned to be mailed to the undersigned at the following address **(provide full complete address)**:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form and delivered to the required address with the required payment prior to 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date of the Option.

DATED the \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_ .

\_\_\_\_\_  
**Signature of Option Holder**

## **SCHEDULE "B"**

### **Sativa Wellness Group Inc Nomination and Compensation Committee Charter**

#### **1 Membership**

1.1 The committee shall comprise at least three members, all of whom shall be non-executive directors.

Members of the committee shall be appointed by the board, in consultation with the chairman of the nomination and compensation committee.

1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chief executive, the Corporate Secretary as head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

1.3 Appointments to the committee are made by the board and shall be for a period of up to three years extendable by no more than two additional three-year periods.

1.4 The board shall appoint the committee chairman who shall be a non-executive director. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board.

#### **2 Secretary**

The Corporate Secretary or his or her shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **3 Quorum**

The quorum necessary for the transaction of business shall be two.

#### **4 Meetings**

The committee shall meet at least twice a year and otherwise as required.

#### **5 Notice of meetings**

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the

committee chairman.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than three working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

## 6 Minutes of meetings

6.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless in the opinion of the committee chairman it would be inappropriate to do so.

## 7 Annual general meeting

The committee chairman should attend the annual general meeting to answer any shareholder questions on the committee's activities.

## 8 Duties

The committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

The committee shall:

8.1 Have responsibility for setting the compensation policy for all executive directors and the company's chairman, including pension rights and any compensation payments. The board itself or, where required by the Articles of Association, the shareholders should determine the compensation of the non-executive directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own compensation.

8.2 Recommend and monitor the level and structure of compensation for senior management.

8.3 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The compensation policy should have regard to the risk appetite of the company and alignment to the company's long strategic term goals. A significant proportion of compensation should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the company.

8.4 When setting compensation policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases.

8.5 Review the on-going appropriateness and relevance of the compensation policy.

8.6 Within the terms of the agreed policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual compensation package of each executive director, the company chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards.

8.7 Obtain reliable, up-to-date information about compensation in other companies of comparable scale and complexity. To help it fulfil its obligations the committee shall have full authority to appoint compensation consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the board.

8.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any consultants who advise the committee.

8.9 Approve the design of, and determine targets for, any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the Code).

8.10 Review the design of all share incentive plans for approval by the board and shareholders. For any

such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, corporate secretary and other designated senior executives and the performance targets to be used.

8.11 Determine the policy for, and scope of, pension arrangements for each executive director, corporate secretary and other designated senior executives.

8.12 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

8.13 Oversee any major changes in employee benefits structures throughout the company or group.

8.14 Agree the policy for authorising claims for expenses from the directors.

8.15 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendations to the board with regard to any changes

8.16 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future

8.17 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace

8.18 keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates

8.19 be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise

8.20 before any appointment is made by the board, evaluate the balance of skills, knowledge, experience and diversity on the board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the committee shall

8.20.1 use open advertising or the services of external advisers to facilitate the search

8.20.2 consider candidates from a wide range of backgrounds

8.20.3 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the board, including gender, taking care that appointees have enough time available to devote to the position

8.21 for the appointment of a chairman, the committee should prepare a job specification, including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the board before appointment and any changes to the chairman's commitments should be reported to the board as they arise.

8.22 prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest

8.23 ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings

8.24 review the results of the board performance evaluation process that relate to the composition of the board

8.25 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the nonexecutive directors are spending enough time to fulfil their duties

8.26 Work and liaise as necessary with all other board committees.

## 9 Reporting responsibilities

9.1 The committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Code, are fulfilled and produce a report of the company's compensation policy and practices

to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the committee has appointed compensation consultants, the annual report of the company's compensation policy should identify such consultants and state whether they have any other connection with the company.

9.4 Through the chairman of the board, ensure that the company maintains contact as required with its principal shareholders about compensation.

## 10 Other matters

The committee shall:

10.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.

10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

10.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the compensation of directors of listed companies and formation and operation of share schemes including but not limited to the provisions of the relevant Codes, the requirements of the CSE listing agreement and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules. In addition consideration should be given to guidelines published by the Canadian Insurance Regulator, Association of British Insurers, BC Financial Services Authority and the National Association of Pension Funds and any other applicable rules, as appropriate.

10.4 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

## 11 Authority

The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.



## SCHEDULE "C"

### **Sativa Wellness Group Inc Audit committee Charter**

#### 1 Membership

1.1 The committee shall comprise at least three members. The committee shall include at least one member of the remuneration committee. Members of the committee shall be appointed by the board.

1.2 All members of the committee shall be non-executive directors least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing.

1.3 Appointments to the committee are made by the board and shall be for a period of up to three years extendable by no more than two additional three-year periods.

1.3 Only members of the committee have the right to attend committee meetings. However, the CFO, Corporate Secretary and external audit lead partner will be invited to attend meetings of the committee and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

1.4 The board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

#### 2 Secretary

The Corporate Secretary or nominated alternative shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### 3 Quorum

The quorum necessary for the transaction of business shall be two members.

#### 4 Frequency of meetings

4.1 The committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the committee chairman, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the chief executive, the finance director and the external audit lead partner.

## 5 Notice of meetings

5.1 Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

5.2 Unless otherwise agreed by the committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than three working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.

5.3 Notices, agendas and supporting papers will be sent in electronic form.

## 6 Minutes of meetings

6.1 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be agreed with the committee chairman and then circulated promptly to all members of the committee.

## 8 Duties

The committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole.

### 8.1 Financial reporting

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, preliminary

announcements and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

8.1.2 In particular, the committee shall review and challenge where necessary:

8.1.2.1 the application of significant accounting policies and any changes to them;

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3 whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and

8.1.2.4 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

8.1.3 The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

8.1.4 Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

## 8.2 Narrative reporting

Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy and whether it informs the board's statement in the annual report on these matters that is required under the Code.

## 8.3 Internal controls and risk management systems

The committee shall:

8.3.1 keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and

8.3.2 review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

#### 8.4 Compliance, whistleblowing and fraud

The committee shall:

8.4.1 review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

8.4.2 review the company's procedures for detecting fraud;

8.4.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;

#### 8.5 External audit

The committee shall:

8.5.1 consider and make recommendations to the board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the company's external auditor;

8.5.2 develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;

8.5.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

8.5.4 oversee the relationship with the external auditor. In this context the committee shall:

8.5.4.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and

8.5.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.5.5 assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;

8.5.6 satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

8.5.7 agree with the board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard legal requirements, and monitor the application of this policy;

8.5.8 monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;

8.5.9 monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;

8.6.10 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;

8.6.11 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;

8.6.12 develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements.

8.6.13 The policy should include consideration of the following matters:

8.6.13.1 threats to the independence and objectivity of the external auditor and any safeguards in place;

8.6.13.2 the nature of the non-audit services;

8.6.13.3 whether the external audit firm is the most suitable supplier of the non-audit service;

8.6.13.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and

8.6.13.5 the criteria governing compensation;

8.6.14 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;

8.6.15 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

8.6.16 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.16.1 a discussion of any major issues which arose during the audit;

8.6.16.2 the auditor's explanation of how the risks to audit quality were addressed;

8.6.16.3 key accounting and audit judgements;

8.6.16.4 the auditor's view of their interactions with senior management; and

8.6.16.5 levels of errors identified during the audit;

8.6.17 review any representation letter(s) requested by the external auditor before they are signed by management;

8.6.18 review the management letter and management's response to the auditor's findings and recommendations; and

8.6.19 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

## 9 Reporting responsibilities

9.1 The committee chairman shall report formally to the board on its proceedings after each meeting through circulation of committee minutes to the next board meeting.

9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a

going concern and the inputs to the board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## 10 Other matters

The committee shall:

10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

10.3 give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;

10.4 be responsible for coordination of the internal and external auditors;

10.5 oversee any investigation of activities which are within its terms of reference;

10.6 work and liaise as necessary with all other board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and

10.7 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board.

## 11 Authority

The committee is authorised to:

11.1 seek any information it requires from any employee of the company in order to perform its duties;

11.2 obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

11.3 call any employee to be questioned at a meeting of the committee as and when required; and



11.4 have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the board.