



Insider Trading Policy

CANNARA BIOTECH INC.

INSIDER TRADING POLICY

I. PURPOSE OF THE POLICY

Cannara Biotech Inc. (“Cannara”) Principals and Insiders (as described below) are prohibited from making use of confidential **Material Information** in trading Cannara securities or the securities of companies with which Cannara is doing business before the information has been fully disclosed to the public and a reasonable period of time for dissemination of the information has passed. The term **Material Information** is further explained below.

The purpose of this policy, which has been prepared in accordance with Cannara responsibilities as a public company listed on the Canadian Securities Exchange (“CSE”), is to educate Cannara Principals and Insiders as to their legal obligations under Canadian law with respect to insider trading and to establish further internal controls and requirements on trading in securities by Cannara Principals and Insiders. All Cannara Principals, as a term of their employment, are expected to comply with these requirements, both legal and internal.

Provincial securities laws impose restrictions on insider trading in securities and “tipping”. Provincial *Securities Acts* prohibit any person in a “*special relationship*” with Cannara from buying or selling the Company’s securities with knowledge of a **material fact** or a **material change** that has not been generally disclosed. These terms are also further explained below.

“**Special relationship**” persons include, in the case of Cannara, not only all Cannara Management and Insiders but also directors, employees, consultants, contract personnel and anyone else engaging in any business or professional activity with or on behalf of Cannara. In the case of other public companies which are clients or customers of Cannara or with which Cannara does business, securities legislation also prohibits anyone in a “special relationship” with Cannara from trading in the securities of such other public company when he or she has knowledge of a **material fact** or **material change** regarding that other public company which has not been generally disclosed and which was gained: during the course of his or her work with Cannara; because he or she is in a “special relationship” with that other public company; or because he or she was “tipped” (as discussed below) by another person who was in a “special relationship” with that other public company.

Passing on confidential information to others who then trade on such information is also illegal and prohibited. Specifically, securities legislation prohibits any person in a “special relationship” with a reporting issuer from informing any other person, other than in very limited circumstances relating to the “necessary course of business”, of **Material Information** before it has been generally disclosed. This prohibited activity is commonly known as “**tipping**”. Both the person who provides the information and the person who receives the information are liable under securities laws if the person who receives the information trades in securities.

Violation of these restrictions can result in a fine and/or imprisonment, as well as civil liability, and may be cause for dismissal. The policies, guidelines and prior clearance procedures set forth in this Policy are designed to assist in preventing any impropriety or the appearance of impropriety in this area and are expressly subject to the provisions of applicable law. The nature of our business is such that all Principals of Cannara should be continually mindful of the necessity of maintaining the confidentiality of client and Company information as well as the problems of insider trading.

This Policy sets out Cannara' view on insider trading and maintaining confidentiality of the Company's and client's information. Due to the complexity of securities laws and other applicable rules, this Policy does not attempt to deal with all of the considerations which may be applicable to securities transactions by Company Principals and Insiders. The CEO and CFO will be responsible for administering the Policy (the "**Administrators**"), and any questions you may have regarding the Policy should be directed to one of the Administrators.

All Principals of Cannara must sign the Compliance Certificate attached to this Policy as Appendix "A".

II. PERSONS COVERED

All Management and employees, consultants and contractors (hereafter referred to as "Principal") of Cannara and its wholly-owned subsidiaries (direct and indirect) are covered by this Policy, in whatever capacity or location they may work. If any Principal should, in breach of this Policy, inform any third party (including without limitation any family member of such Principal) of any **material change** or **material fact** with respect to Cannara or any other issuer which has not been disclosed to the public (see part III.C below), such Principal will be held responsible by the Company for such disclosure and for any action taken (including without limitation any further disclosure or any trade made) by such third party with respect to or with knowledge of such **material change** or **material fact**. All investment activities of any Principal or over which such Principal has control, direction or influence, whether for his or her personal account or as a fiduciary (for example, as trustee or as executor of an estate), are also covered by this Policy.

Other Insiders are also subject to this Policy as it relates to trading in securities of Cannara and filing of insider reports, as discussed in Part VI of this Policy, as well as to the general prohibitions prescribed by law and as discussed in Part III.

Contract personnel will also be required to abide by this Policy and will be held responsible for non-compliance in the same manner as if he or she was a Principal of Cannara to the extent that they acquire knowledge of any material change or material fact with respect to Cannara or any other issuer which has not been disclosed to the public.

III. INSIDER TRADING

A. General Prohibitions

As noted previously, a person in a **special relationship** with Cannara may not trade in securities of such issuer with knowledge of a **material change** or **material fact** relating to Cannara which has not been disclosed to the public. Likewise, a person in a special relationship with any other issuer may not trade in securities of such issuer with knowledge of a material change or material fact relating to that issuer which has not been disclosed to the public. Neither may a special relationship person give such information to another person – a “*tippee*” – other than in the necessary course of business, whether or not the tippee uses the information for trading purposes.

A person in a **special relationship** with an issuer may include not only “*insiders*” in the traditional sense (such as directors and officers), but also includes employees, consultants and personnel of firms engaging in professional activities relating to an issuer. For example, if Cannara were retained by an issuer with respect to a proposed transaction, Cannara Principal would be in a special relationship with the issuer for the purposes of securities legislation, and would be subject to the prohibitions in such legislation on insider trading and tipping confidential information. As well, if a person learns of material information about an issuer from any other person who the tippee knows or ought reasonably to know is in a special relationship with the issuer, the tippee is also in a special relationship with the issuer.

“*Trade*” is very broadly defined and includes the sale of a security or any conduct directly or indirectly in furtherance of a trade, and any receipt by a registrant under securities legislation (e.g. a broker) of an order to buy or sell a security. “*Securities*” are also very broadly defined and include shares, bonds, debentures, notes, units, participation certificates, certain forms of agreements, annuities, futures and derivatives.

B. What is a Material Fact or Material Change?

“*Material Information*” means any information relating to the business and affairs of a reporting issuer that results in, or would reasonably be expected to result in, a significant change in the market price or value of any of the listed securities of that reporting issuer. **Material Information** includes both “*material facts*” and “*material changes*”. A **material fact** is a fact relating to an issuer that significantly affects or would reasonably be expected to have a significant effect on the market price or value of *any* of the issuer’s securities. A **material change** is a change in the business, operations, assets or ownership of a reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of that reporting issuer, or a decision to implement such a change by the board of directors of the reporting issuer or by senior management of that reporting issuer who believe that confirmation of the decision by the board of directors is probable. .

For purposes of this Policy, a broad view of these terms should be taken. Accordingly, material fact or material change for this purpose should be considered to include any information (i) which, if publicly disclosed, might reasonably be expected to have an effect on the market

price or the value of any of the issuer's securities, or (ii) which might affect the individual investment decision of a reasonable investor. Such information should be viewed as including, particularly:

- (a) changes in share ownership that may affect control of the issuer;
- (b) changes in structure, such as reorganizations, amalgamations, recapitalizations;
- (c) acquisitions of other companies (including the possibility of a take-over bid for or merger with another entity);
- (d) the possible initiation of a proxy fight;
- (e) major acquisitions or dispositions;
- (f) changes in dividend or distribution policies;
- (g) changes in near-term earnings or earnings estimates;
- (h) development of new products and developments affecting the issuer's resources, technology, products or market;
- (i) significant litigation;
- (j) significant shifts in operating or financial circumstances, such as cash-flow reduction, major write-offs, strikes at major plants and disputes with major contractors or suppliers;
- (k) entering into or loss of significant contracts;
- (l) significant changes in an issuer's asset value or composition;
- (m) a planned repurchase of securities;
- (n) the possibility of a public or private offering of securities;
- (o) changes in capital investment plans or business objectives;
- (p) borrowing of a significant amount of funds;
- (q) significant changes in management;
- (r) events of default under financing or other agreements;
- (s) changes in capital structure; and

The fact that a special relationship person or tippee engages in a trade on the basis of particular information which has not been publicized may itself evidence that such information is material.

When any of the Company's Principals are in any doubt as to the materiality of information known to that person, one of the Administrators should be consulted. In any event, the **duty to our clients to maintain the confidentiality** of their information, which is a duty separate from insider trading laws, will extend to non-material information.

C. When is Information Deemed Generally Disclosed?

A special relationship person may trade only when that person is certain that official announcements of material information have been sufficiently publicized so that the public has had the opportunity to evaluate the information (generally at least two full trading days). Thus, the person in a special relationship may not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of material information. Insider trading is not made permissible merely because material information is reflected by rumours or other unofficial statements in the marketplace.

IV. RESTRICTED OR BLACKOUT PERIODS; CLEARANCE FOR TRADING IN CANNARA SECURITIES

As a general rule, all trades by Principals and directors of Cannara in securities of Cannara must be cleared with one of the Administrators in advance of the trade.

In addition, certain **Blackout Periods** will apply from time to time during which Cannara Principals may not trade in any security of the Company or of any other reporting issuer which is a subsidiary or affiliate of Cannara, or in any other securities whose price may be affected by a pending Company announcement. This prohibition includes not only common shares, but also trading in any debt securities and includes the exercise of stock options, trading in deferred share units or restricted stock units, or any entry into, termination of participation in or change in the percentage contribution to any employee share purchase plan.

Regularly scheduled **Blackout Periods** begin the first day of each month following a fiscal quarter or fiscal year end and end on the third business day following the date on which Cannara discloses its quarterly or annual financial results. In addition, the leaders of Cannara may announce unscheduled **Blackout Periods** without giving a reason and instruct Principals not to trade until further notice if there is a pending undisclosed material development.

V. RESTRICTED TRADING LIST; CLEARANCE FOR TRADING IN NON-CANNARA SECURITIES

A. Clearance Procedure

In order to avoid even the appearance of impropriety, any purchase or sale of a security of an issuer which is, at the time of such intended trade, a client or about which the Company, as a result of the Company conducting its business, may be in possession of material information that has not then been disclosed to the public, must be cleared with one of the Administrators in advance. The necessity for clearance is determined at the time of the proposed trade; therefore, it is necessary to clear a sale of a security of an issuer which is a client or about which the Company may possess any such information at the time of sale even though the issuer was not a client and the Company had no such information when the investment was acquired. For this purpose and to reduce the risk of inadvertent trades by Principals of Cannara who may not be aware that other Principals of the Company are in possession of material undisclosed information in respect of an issuer, the Company will maintain a list (the "**Restricted Trading List**").

Prior to effecting a trade Company Principals must consult the Restricted Trading List. If the issuer is not on the Restricted Trading List the Principal is free (subject to not being in possession of material undisclosed information or otherwise being restricted in trading in such securities under applicable law) to make the trade in question. Since the status of an issuer on the Restricted Trading List is itself potentially a material fact, Principals of the Company other than persons specifically designated by the Administrators will not be permitted to review the

list. Company Principals must check each security in which they wish to trade, either by consulting the list themselves if they have access to it or asking a person who has access if the proposed trader does not him or herself have access, to determine whether it is on the Restricted Trading List.

Generally, if the issuer whose securities are the subject of the proposed trade is on the Restricted Trading List the intended trade shall not take place so long as the issuer's name remains on the Restricted Trading List. There will be an exception in the case of the proposed disposition of securities held by any Company Principal in a client that were held before that client became a client of Cannara, provided the Company (or other Principals of the Company) is not in possession of material undisclosed information in respect of the issuer at the time of the proposed trade (a fact which must be cleared in advance with one of the Administrators).

B. Duty to Provide Restricted Names

Generally, in order to avoid the appearance of impropriety, it is the current Company policy that all Company clients that are reporting issuers will be added to the Restricted Trading List. Exceptions to this policy will be considered on a case-by-case basis depending on such factors as the nature of our involvement with the client and the likelihood of Cannara Principals coming into possession of material undisclosed information with respect to that client in the future.

In any event, each Principal of Cannara who, in his or her capacity as a Principal of the Company, obtains information of a material change or a material fact which has not been disclosed to the public respecting an issuer, whether or not a Cannara client, are required to advise one of the Administrators (or such other persons who may be designated from time to time by the Administrators) of the same so that the issuer's name may be placed on the Restricted Trading List. Principals of the Company are also required to advise one of the Administrators or such other persons who may be designated from time to time by the Administrators, when the inside information has been made public or is no longer material such that the issuer's name can be removed from the Restricted Trading List.

Where Principals of the Company receive information regarding a material change or material fact regarding an issuer outside their capacities as employees of the Company (such as by reason of being a director of the issuer or hearing of the matter in a social setting outside the Company's business), the issuer's name need not be put on the Restricted Trading List provided such Principal has not disclosed the information to any other Principal and provided further that relief from the obligation to provide the issuer's name for the Restricted Trading List shall not in any way relieve such Principal from the obligation to not otherwise breach applicable securities laws.

C. Short-term Trading

Cannara's Principals should not engage in short-term trading in the Company's securities but should make such investments only on the basis of longer term considerations, and with the intent of holding their investments for an extended period of time.

Short-term trading by Company Principals in securities of either Cannara or of clients of Cannara is discouraged since it may create the appearance that the person involved was attempting to profit from undisclosed material information relating to either Cannara or the client. In addition, Company Principals should not purchase securities pursuant to a public offering in which the Company is acting (whether for the issuer, the dealer or any other interested party) with a view to selling such securities in the market shortly after trading in those securities commences. Since the Company may come into possession of material undisclosed information about a particular issuer after a Principal purchases its securities and the Company may be in possession of such information for a substantial period, a Principal should not make any investment in securities of an issuer which such Principal is not prepared to hold for an extended period of time, nor should any investment decision with respect to securities of a client – whether to purchase or sell – be based on a tip or rumour, since such action may all too easily create the appearance of impropriety.

D. Discretionary Accounts

Where Principals maintain securities accounts over which they have conferred discretionary trading authority to a manager or dealer, then provided true discretion has been granted and the manager or dealer **does not in fact** consult the Principal in connection with trades that they execute for the Principal's account **and** the Principal has not communicated material undisclosed information to the manager or dealer, then the trading does not violate insider trading laws and is not restricted by this policy.

V. CONFIDENTIALITY

A. General Principle

It is the duty of all Principals and Insiders of the Company to maintain confidentiality of information belonging or relating to the Company or its clients or obtained through a relationship of confidence.

B. What Kind of Information is Covered?

Set forth above, is a discussion of **Material Information** in the context of "insider trading" and "tipping". The kind of information which may merit confidential treatment could be much broader. Indeed, it may be that the fact that we act for a particular client is by itself a confidential matter

Because “confidential information” is hard to define comprehensively, the best rule of thumb to follow is the following: information from or about the Company, a client, a client matter or anything in which the Company is involved should be discussed only with authorized people within the Company or with people outside the Company as to whom you have clear, specific authorization.

C. What Steps Should be Taken to Preserve Confidentiality

You should take every practical step you can to preserve the confidentiality of confidential information. For example:

1. Don't discuss confidential matters in any place where you can be overheard.
2. Don't expose confidential documents in public places or discard them where they can be retrieved by others
3. Conversations relating to confidential matters should not be conducted on car or cellular telephones.
4. Don't leave confidential documents in unattended conference rooms.
5. Ensure that confidential documents are placed out of sight when meeting visitors in the office.
6. Exercise discretion about disclosing the whereabouts of employees not in the office or the presence of specific visitors in the office.

In extraordinary situations (e.g. litigation, going public, take-over bids etc.) special precautions may be appropriate. Such precautions may include:

1. The use of code names.
2. The use of secured fax machines
3. Restricted access to work rooms, storage facilities and computer information storage.
4. Locking filing cabinets during periods of absence.
5. Shredding of drafts and other waste paper.
6. Special confidential procedures and briefing of all Company Principals involved in the project.
7. Strict adherence to the “need to know” rule (i.e. refrain from discussing the project even with Company Principals other than those that “need to know”).

It is the responsibility of the Company Principals to take whatever steps are appropriate to preserve the confidentiality of information.

VI. ADDITIONAL RESPONSIBILITIES OF INSIDERS

Insiders of Cannara are subject to this Policy and also to additional requirements, both legal and pursuant to Company policy. “*Insiders*” include directors and senior officers of the Company, as well as directors and officers of any entity owning 10% or more of the shares of Cannara and the directors and officers of any subsidiaries that constitute 10% or more of the consolidated assets of the Company. *Senior officers* generally includes the chair or a vice-chair of the board, the President, CEO, CFO, COO, Vice-President, the secretary, the

treasurer or the general manager of a company, or any other individual who performs similar functions. “*Senior officer*” also includes the five highest paid employees (including anyone who holds one of the specified officer positions).

Under existing securities laws and under this policy, All Insiders must file insider reports with securities regulators any time they trade in shares, debt securities, options (including the grant and exercise of options), deferred share units or restricted stock units of the Company or enter into certain derivative based transactions or equity monetization transactions related thereto. These insider trading reports must be filed electronically through the “System for Electronic Disclosure by Insiders” (“SEDI”) within 10 days after each trade.

As a matter of Company policy, all insider reports must be reviewed by one of the Administrators on behalf of the Company prior to filing to ensure that the insider has complied with Company policy and disclosure rules.

Insiders bear the sole responsibility for the timely and accurate filing of all required Insider Trading Reports and all other matters relating to compliance with the applicable securities laws and regulations as may be modified from time to time. Cannara can help provide information and assistance in these matters, upon request by the Insider, but will not take responsibility for in any way, or maintain records of, the trading activities of Cannara Insiders.

VII. WAIVERS

The Administrators may, at their discretion, and after obtaining legal advice, waive the requirements and prohibitions contained in this policy in exceptional circumstances, but provided always that the Cannara Principal or other person seeking the waiver does not have any undisclosed Material Information and that the making of such an exception would not violate any applicable securities laws.

The Administrators shall report any such waivers granted to the Corporate Governance and Compensation Committee of the Board of Directors of Cannara at the next regularly scheduled meeting of the Corporate Governance and Compensation Committee.

APPENDIX "A"

COMPLIANCE CERTIFICATE

I, _____ certify that I have received a copy of and read
(full name)
the Cannara Inc. Insider Trading Policy, and agree to comply with the terms set out therein
as a term of my continued relationship with Cannara Inc. or any of its subsidiaries.

Date: _____

Signature: _____

Witness: _____