



ANNUAL INFORMATION FORM

52-WEEK PERIOD ENDED MARCH 25, 2023

JUNE 8, 2023



ANNUAL INFORMATION FORM OF NEIGHBOURLY PHARMACY INC.
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EXPLANATORY NOTES

As used in this Annual Information Form (“AIF”), unless the context indicates or requires otherwise, all references to the “Company”, “NBLY”, “we”, “us” or “our” refer to Neighbourly Pharmacy Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by it or them, on a consolidated basis.

This AIF is dated June 8, 2023, and, unless specifically stated otherwise, all information disclosed in this AIF is provided as at March 25, 2023, the end of Neighbourly’s most recently completed fiscal year.

Certain capitalized terms used in this AIF are defined in the “Glossary of Terms” beginning on page 70.

Unless otherwise specified, all references to “\$”, “C\$” or “dollars” are to Canadian dollars.

TRADEMARKS AND TRADE NAMES

This AIF refers to certain trademarks and trade names, such as “Neighbourly”, which are protected under applicable intellectual property laws and are the property of Neighbourly. In addition, Neighbourly’s names, logos and website names and addresses are owned or licensed by Neighbourly, as applicable. Solely for convenience, our trademarks and trade names referred to in this AIF may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert our rights to these trademarks and trade names to the fullest extent under applicable law. All other trademarks used in this AIF are the property of their respective owners.

INDUSTRY METRICS

This AIF makes reference to certain industry metrics, including “front shop revenues”, “pharmacy revenues”, and “same-store sales”, which are operating metrics used in our industry. These industry metrics are used to provide investors with supplemental measures of our operating performance and highlight trends in our core business that may not otherwise be apparent. We also believe that securities analysts, investors and other interested parties frequently use industry metrics in the evaluation of issuers. Our management also uses industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Industry Metrics

- **“front shop revenues”** means sales of confections and food, over the counter drugs, and health and beauty aids.
- **“pharmacy revenues”** means sales of prescription medication and revenues from clinical services.
- **“same-store sales”** represents sales from stores that were owned and operated by the Company for the entirety of the applicable periods and is a supplementary financial measure

that is commonly used in the industry. Neighbourly calculates same-store sales using revenue determined in accordance with IFRS.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this AIF was obtained from third-party sources and industry reports, including from Statistics Canada, IQVIA Inc. (“**IQVIA**”) and the Neighbourhood Pharmacy Association of Canada (“**NPAC**”), and from publications, websites and other publicly available information, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the markets in which we operate, including information provided by suppliers, partners, customers and other industry participants.

We believe that the market and economic data presented throughout this AIF are accurate and, with respect to data prepared by us or on our behalf, that our estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this AIF are not guaranteed and we do not make any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this AIF, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking information**”) within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, capital structure, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: expectations regarding completion of acquisitions and timing thereof; the expected impact of such acquisitions on the Company's operations, prospects, opportunities, financial condition, cash flow and overall strategy; expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies, including the pursuit of accretive acquisitions at a pace of 35-40 pharmacies per year; expectations regarding our capital expenditures, operations and use of future cash flow, our financial position, financial results, business plans and strategies; our competitive position in our industry; the declaration and payment of dividends; and our ability to recruit and retain exceptional talent.

Forward-looking information in this AIF is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; the changes in laws, rules, regulations, and global standards; our ability to identify suitable acquisition targets; our ability to negotiate satisfactory acquisition agreements for additional targets on satisfactory terms and conditions; the successful completion of acquisitions within the anticipated timeframe; the availability of borrowings to be drawn down under our credit facilities and the utilization thereof; the successful and timely integration of our acquisitions in the timeframe anticipated; the realization of the anticipated benefits, economies of scale, operating efficiencies, costs savings and synergies of our acquisitions in the timeframe anticipated, including impacts on growth and accretion in various financial metrics; and the absence of significant undisclosed costs or liabilities associated with such acquisitions, are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following risk factors described in greater detail under the heading entitled "Risk Factors" in this AIF, such as: the fact that the Company conducts its business in a highly regulated industry and environment; changes in reimbursement programs, prescription drug pricing and commercial terms; our business is highly competitive and we may not be able to compete successfully against current and future competitors; our business is impacted by the interplay between brand name and generic drugs; changes in drug development and prescription mix may impact the Company's results of operation; product liability, product recall or personal injury issues could damage our reputation; reputational risk; pharmacist errors may harm our business and our reputation; consolidation in the supply chain may negatively impact drug prices and our competitiveness; the fact that we rely on McKesson for a significant portion of our supply of products; disruption of

the global supply chain and ineffective service providers; failure to meet customer expectations; our use and disclosure of personally identifiable information, including personal health information, is subject to privacy and security regulations; information technology systems impairment and cyber-attacks; audit regulatory risks; failure to properly manage inventories and anticipate demand; change in population demographics; the impact of economic conditions, including the resulting effect on spending by consumers; change in tax and trade policies, tariffs and other government regulations; increased indebtedness; our quarterly results of operations may fluctuate and, as a result, we may fail to meet or exceed the expectations of investors or securities analysts; if we are unable to hire, retain and motivate qualified personnel, our business will suffer; we are dependent on the continued services and performance of our senior management and other key employees; legal proceedings; labour-related matters, including labour disputes; goodwill and other intangible assets could, in the future, become impaired; business continuity hazards and risks; seasonality may impact our business and results of operation; we may not be able to successfully implement our growth strategy; risks associated with acquisitions and investments; potential liabilities from past and future acquisitions; our ability to integrate acquired businesses and the success of our acquisitions; our reliance on information provided by the relevant sellers with respect to acquisitions; competition for acquisition candidates, consolidation within the pharmacy industry and economic and market conditions may limit our ability to grow through acquisitions; our limited operating history makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful; we may need to raise additional funds to pursue our growth strategy, and we may be unable to raise capital when needed or on acceptable terms; risks related to our Common Shares, capital structure and constating documents; the fact that dividends on the Common Shares are not guaranteed; future sales of Common Shares by existing shareholders or by us, or future dilutive issuances of Common Shares by us; the limited control of shareholders over our Company's operations; risks associated with internal controls over financial reporting; risks associated with violation of law, breach of the Company's policies or unethical behaviour by its employees; and risks related to the Company's holding company structure.

Specific reference is made to the section "Risk Factors" in this AIF. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail under the heading "Risk Factors" in this AIF should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this AIF represents our expectations as of the date of this AIF (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we

disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

CORPORATE STRUCTURE

Name, Address and Incorporation

Neighbourly was incorporated under the CBCA on March 20, 2015 as 8859582 Canada Inc. We filed articles of amendment on May 27, 2015 to change our name to Rx Drug Mart Inc. Our articles were subsequently amended on August 4, 2017, on September 30, 2019 and on September 30, 2020, in each case to amend and restate the authorized share capital of the Company.

Prior to the closing of our IPO in Canada and concurrent listing on the TSX, the Company filed articles of amendment on April 30, 2021 to further change its name to Neighbourly Pharmacy Inc. In connection with the IPO, the Company amended its share capital to provide for an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series, each with the attributes described under “Description of share capital”.

Neighbourly was founded as a network of independent community pharmacies focused on providing patient care and service in communities across Canada. Since incorporation, Neighbourly has made a number of acquisitions and organic investments, and has significantly expanded its retail footprint in multiple provinces and one territory of Canada. See “Business of Neighbourly” below.

Our head office is located at 190 Attwell Drive, Unit 400, Toronto, Ontario, Canada, M9W 6H8. Our telephone number at our head office is (416) 309-9102.

Intercorporate Relationships

The following table identifies our material subsidiaries (including jurisdiction of formation, incorporation or continuance of the various entities). Certain subsidiaries of the Company, each of which does not represent more than 10% of the consolidated assets and not more than 10% of the consolidated revenues of the Company, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total revenues of the Company as at the date hereof, have been omitted from the table below:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation, Formation or Continuance</u>	<u>Ownership Percentage (Voting)</u>
Neighbourly Pharmacy Operations Inc.	Canada	100%
9206809 Canada Inc.	Canada	100%
1105855 B.C. Ltd.	British Columbia, Canada	100%
RxDM Ontario Inc.	Ontario, Canada	100%
102028500 Saskatchewan Ltd.	Saskatchewan, Canada	100%
2003945 Alberta Ltd.	Alberta, Canada	100%
Amenity Holdings Inc.	Saskatchewan, Canada	100%
1239251 B.C. Ltd.	British Columbia, Canada	100%
Lovell Drugs Limited	Ontario, Canada	100%
Forewest Holdings Inc.	British Columbia, Canada	100%
Apex Pharmacy Ltd.	Alberta, Canada	100%
AB-MB Holding LP	Manitoba, Canada	100%

BUSINESS OF NEIGHBOURLY

Overview

Neighbourly is Canada's largest and fastest growing network of community pharmacies. With 291 locations, we are the country's third largest national pharmacy operator. With operations across seven provinces and one territory, we have a coast-to-coast footprint that provides significant scale and diversification.

Neighbourly believes in providing accessible healthcare with a personal touch. Our pharmacies often act as the center of care within their communities, representing an indispensable source of both healthcare delivery and trusted advice for their patients. According to the NPAC, Canadians see their pharmacist ten times more frequently than any other healthcare provider. We build and maintain these patient relationships by providing the best possible healthcare and customer experience.

Since 2015, Neighbourly has grown by successfully acquiring, integrating, and operating stores in our network. Our revenue has increased from \$92.6 million during the twelve-month period ended March 31, 2018 to \$749.1 million in Fiscal 2023, representing a CAGR of 52%. While acquisitions have been a significant driver of this growth, we have also demonstrated compelling organic improvement. We have increased same-store sales at an average of 3% over the past eight quarters.

As Neighbourly acquires new pharmacies, we leverage our scale and best practices to enhance our offerings with minimal disruption to patient relationships or daily operations. We balance the standardized operating procedures of an established network with the freedom and autonomy of an independent business. We work to maintain the connections our pharmacies have built with their patients and communities, creating a healthcare experience founded upon

trust, support, and care. We believe this approach has made Neighbourly the acquirer of choice for independent operators.

The Canadian retail pharmacy landscape is highly fragmented. According to industry sources and management estimates, over 60% of the country's approximately 11,500 pharmacies are independently owned. We believe most independent pharmacy owners operate less than two locations and that many may seek an ownership succession plan in the short to medium term. Given our history of successfully acquiring, integrating, and operating pharmacies, we believe Neighbourly is well positioned to continue to capitalize upon the attractive consolidation opportunity presented by this market.

Our Patient Focused Network

Neighbourly's national footprint provides purchasing power, deep local market expertise, and the ability to implement operational best practices across the country. We operate across two primary formats: Community Pharmacies and Clinic Pharmacies. These unique formats are united by their role as essential and trusted healthcare hubs within their communities.

In contrast to major national retail pharmacy chains, we operate in a unique segment of the market that is characterized by differences in geographic profile and sales mix. Approximately two thirds of Neighbourly's pharmacies are in communities with a population of less than 100,000 inhabitants. These communities are typically underserved and subject to less intense competition. As such, our pharmacies may be able to provide a broader range of services to patients, while generating higher margins than in dense, urban centers where there is more competition. In addition, our stores typically derive the majority of revenues from sales of prescription medication as opposed to front shop revenues. Our stores' historical focus on service and relationships has resulted in considerable patient loyalty, with our patients being more reliant on our pharmacies and visiting our locations for a larger portion of their healthcare needs relative to our competitors.

Seamless Acquisition, Integration, and Operating Model

Since Neighbourly's founding in December 2015, we have acquired and integrated 292¹ pharmacies, 154 of which were acquired within the last two fiscal years across a variety of transaction sizes, including single store acquisitions and larger, multi-store acquisitions. We are positioned as an acquirer of choice, and we believe this is evidenced by our high close rate and reputation for successfully integrating acquired pharmacies while respecting their legacy and role in the community. As a result, we believe we have an industry leading close rate and benefit from frequent referrals and outbound connectivity. Due to our strong momentum and acquisition pipeline, we expect to continue making acquisitions at a pace of 35-40 pharmacies per year. Neighbourly's management has extensive experience in retail pharmacy, mergers and acquisitions, and consumer retail. As a result, we have developed a model that allows us to rapidly source, close and seamlessly integrate acquisitions. Transactions are frequently

¹ Based on acquired locations only; excludes greenfield locations and store closures.

completed within eight weeks of signing a letter of intent, and pharmacies are generally fully integrated into our point of sale and procurement systems within 24 hours of closing, with minimal disruption to banner, staffing, layout and, most importantly, patients.

- **Acquisition Criteria:** Neighbourly's strategy focuses on the acquisition of Qualified Pharmacies, which are typically independent pharmacies that:
 - operate in suburban or rural communities or within existing established medical clinics;
 - are a significant healthcare delivery provider in their communities;
 - generate a majority of their revenue from prescriptions;
 - share Neighbourly's values of trust and a patient first focus; and
 - have meaningful scale (i.e. revenues, prescription count, profitability, etc.).
- **Addressable Market & Deal Sourcing:** Neighbourly regularly engages in nationwide marketing initiatives that reach independently owned pharmacies, creating a high level of awareness amongst these pharmacies' owners. This outreach has also allowed us to build a robust proprietary database, through which we have identified over 3,500 Qualified Pharmacies. Leveraging this database, we seek to cultivate relationships with owners of Qualified Pharmacies to develop our acquisition pipeline.
- **Closing:** Given Neighbourly's deep industry expertise, we are typically able to put forth an offer within days of engaging a potential acquisition. Our proprietary due diligence process allows us to standardize and expedite information gathering and move quickly and cost-effectively from letters of intent to binding purchase agreements.
- **Integration:** Neighbourly has invested significant time, effort, and capital in the development of our technology and operational infrastructure. This infrastructure facilitates the rapid, seamless integration of our acquisitions. Pharmacies are generally fully integrated into the Neighbourly point of sale and procurement systems within 24 hours of closing. We also can count on dedicated centralized and regional teams supporting the transition and facilitating the integration of our acquired pharmacies.
- **Operation:** Neighbourly operates our newly acquired pharmacies with minimal disruption to patients and staff. Our strategy is to leverage the benefits of our network's scale while protecting pharmacies' legacies and the relationships they have established with their patients. Following integration, our business intelligence and IT systems allow us to manage and track key performance indicators, providing valuable insights on sales optimization, merchandising, human resources, and potential efficiencies. The combination of minimal disruption, data-driven decisions, and business improvements allows us to consistently drive post-acquisition sales growth and margin expansion.

The Canadian Retail Pharmacy Industry

The Canadian retail pharmacy industry is stable, economically resilient, and possesses a strong outlook over both the near and long-term. According to IQVIA, a worldwide data provider to the pharmaceutical industry, total Canadian sales of prescription medication in 2022 were \$38.7 billion, of which 83% were sold through the retail pharmacy channel, with the balance sold

through the hospital channel. According to IQVIA, during the three-year period from 2019 to 2022, total retail prescription pharmacy sales grew at a compound annual rate of 5.9%.

The industry's growth has been driven by an aging population, growing prevalence of chronic conditions, expanding scope of pharmacy practice, and greater utilization of prescription medication.

The Canadian prescription drug market is experiencing both unit and price growth. According to IQVIA, the average retail standard unit prescription price grew by 5.6% in 2022, while prescription volume increased 3.6% over the same period.

We believe that our patient focused network of pharmacies and seamless acquisition, integration, and operating model positions us well to capitalize on the favourable trends that underpin our industry, as outlined below. This growth can be partially attributed to the trends discussed below.

Favorable Demographic Tailwinds Driving Strong Prescription Growth

The Canadian retail pharmacy industry is expected to continue to benefit from favourable demographic changes, most notably an aging population whose prescription needs will continue to increase significantly. According to Statistics Canada, Canada's seniors (aged 65+) currently compose approximately 19% of the country's total population, and the population in this segment is expected to increase by 50% from 2020 to 2035. By 2031, the median age in Canada will exceed 42, and over 23% of the population will be over 65.

According to industry data, individuals' prescription drug use increases dramatically as they age. 55% of those over the age of 65 take three or more prescription drugs per day, while 30% take five or more prescription medications per day. As a result, Canada's aging population provides long-term stability to the growth trajectory of the country's retail pharmacy industry.

Canada is also witnessing a trend of heightened health awareness and a focus on early diagnosis of medical conditions. Approximately 26% of all Canadian adults are medically classified as obese, a leading cause of type 2 diabetes, high blood pressure, heart disease, cancer, and other chronic conditions. The prevalence of cardiovascular-related illnesses and disease, diabetes, and cancer continue to grow each year. Furthermore, reports estimate that 68% of drug spending is linked to chronic conditions, with four in ten Canadians living with one or more chronic conditions and one in ten living with two or more chronic conditions. These trends are expected to continue to increase sales of prescription drugs, over-the-counter medications, nutrition supplements, and other pharmacy merchandise.

Secular Growth Industry with Solid Defensive Characteristics

In 2019, the retail pharmacy channel accounted for \$25.7 billion of Canada's \$265 billion in healthcare expenditures according to government estimates. Furthermore, according to IQVIA, 85% of pharmaceuticals were dispensed through the retail pharmacy channel, underscoring the community pharmacy network's critical role in the Canadian healthcare system. Canadian demand for prescription drugs continues to grow, as demonstrated by the increasing number

of annual prescriptions written per person, which is expected to increase from 14 in 2007 to an estimated 22.2 by 2027.

As an integral part of the overall healthcare system, the Canadian pharmacy sector enjoys strong defensive characteristics and demand attributes:

- **Frequent Customer Visits:** According to Human Vaccines & Immunotherapeutics, a medical journal, approximately 55% of Canadians visit a pharmacy once per week for a growing share of their healthcare needs including advice, drug dispensing, services such as flu shots, medication reviews, prescriptions for minor ailments and vaccines.
- **Loyal Customer Base:** According to the NPAC, 80% of Canadians return to the same pharmacy always or most of the time. This can be attributed to both the relationship a patient builds with their local pharmacy and the inherent friction involved in transferring prescription files, whether between pharmacies in an existing chain or to a different chain.
- **Broad Based Accessibility and Affordability:** According to the Canadian Pharmacists Association, approximately 90% of Canadians are covered by public or private payer health insurance plans. Such public and private payers, accordingly, largely drive the reimbursement programs in the pharmacy industry. In addition, according to the Canadian Public Health Association, more than 70.5% of Canadian drug sales are covered by third-party payers, including various provincial government plans that provide assistance to seniors or lower-income groups for the purchase of prescription medications. This prevalence of third-party reimbursement payment programs reduces consumers' sensitivity to prescription costs.
- **Recession Resistance.** The Canadian retail pharmacy industry meets an essential need of communities. Pharmacy services and products remain a necessity regardless of the level of economic activity. Revenues from pharmacy services and products generally do not decrease significantly during periods of slower economic activity because the demand for prescription drugs and over-the-counter medications does not materially change during such periods. This is particularly accurate for Neighbourly, as our stores derive the majority of their revenues from sales of prescription drugs as opposed to front shop revenues.

Critical Role in the Canadian Healthcare System

Canadian retail pharmacies represent an essential healthcare delivery channel. Pharmacies are often their community's most accessible healthcare provider, with the vast majority of Canadians living within close proximity of a retail pharmacy. For example, a study in Healthcare Policy showed that in 2011, over 95% of Ontario's population resided within five kilometers of a pharmacy. According to a 2019 study by NPAC, Canadians see their pharmacist up to ten times more frequently than any other healthcare provider.

Given the growth in Canadian healthcare spending, provincial governments have placed an increasing focus on cost-effective healthcare delivery. Pharmacists, who represent the third largest group of healthcare providers in Canada according to the NPAC, are well positioned to aid in reducing this cost. Provincial governments have recognized the significance of this group by expanding pharmacists' scope of practice and services. This growing recognition of

pharmacists' accessible and essential role in providing patient care will serve as a growth driver for the Canadian retail pharmacy industry.

Over the last number of years, the scope of pharmacists' practice has grown. Pharmacists in certain provinces and territories are now permitted to independently prescribe certain medication, provide vaccinations, and order certain lab tests and services.

In January 2023, Ontario expanded pharmacists' scope of practice to include the assessment and treatment of minor ailments. Since spring 2023, the province of British Columbia allows pharmacists to prescribe medications for minor ailments. This is in addition to the pharmacists in British Columbia gaining temporary authority in late 2022 to prescribe and renew medications for patients who have no access to a family doctor.

The COVID-19 pandemic has further reinforced retail pharmacy's importance within the broader Canadian healthcare system, and provides a critical example of pharmacists' expanding scope of service. Throughout the course of the pandemic, pharmacies in Canada have been considered essential services, ensuring that patients have continual and uninterrupted access to continuity of care and critical medication and health services.

Highly Fragmented Market Positioned for Consolidation

The Canadian retail pharmacy industry is highly fragmented. According to industry sources and management estimates, of the 11,500 pharmacies in Canada, more than half are independently owned. Further, management estimates that there are roughly 3,500 independent pharmacies that would constitute viable acquisition targets. This is in stark contrast to the U.S., where independent pharmacies account for less than 35% of total drug stores according to the Pharmaceutical Care Management Association. According to IQVIA and management estimates, Canadian corporate-owned drug stores represent 25% of total pharmacy outlets, with the two largest pharmacy groups, Shoppers Drug Mart and Rexall, together holding a market share of approximately 13%.

Our Competitive Strengths

Leading National Operator of Community Pharmacies

Neighbourly is Canada's leading operator of community pharmacies, with 291 locations and approximately 3,648 staff spread across a diversified national footprint. Our retail pharmacy network has reached critical scale, allowing us to benefit from significant purchasing power and leverage the material investments we have made in our platform, management team, IT systems, and regional infrastructure.

Neighbourly's strategy focuses on operating pharmacies in smaller rural and suburban communities (with a population below 100,000) and underserved markets with a store format and size (square footage) that best suits their market. Close to 68% of our network is represented by these types of locations/communities. This is in contrast to some of the larger pharmacy competitors, who operate between 60% and 70% of their locations in large urban centers. As a result, the markets that we serve are typically subject to less intense competition. On average, our locations generate approximately 70% to 80% of their revenues from

prescription medication, and 20% to 30% coming from front shop revenues. This balance helps address the lower level of healthcare accessibility in our markets while generating higher margins. This translates to a high degree of patient care and involvement within the communities we serve. Conversely, we estimate that the larger pharmacy competitors typically derive 40% to 50% of their revenues from prescriptions and 50% to 60% from front shop revenues, reflecting their larger typical square footage footprints and differing retail strategies.

Healthcare First Strategy Drives Patient Loyalty and Performance

Neighbourly's mission is to prioritize the pharmacy, the patient, and the community. We pride ourselves on being deeply involved in the communities we serve. As a result, we believe that our patients trust and have a greater reliance on the pharmacies we operate, visiting our locations for a larger portion of their healthcare needs, relative to our competitors. Within most small communities, we believe our pharmacies are indispensable and relied upon as healthcare hubs – this is why we put in the extra effort to build our patient relationships and deliver the best possible clinical care. We believe that our efforts to continually improve the quality and accessibility of the healthcare services provided have contributed to increased customer loyalty and store visits, translating to our higher margins and superior financial performance.

As the Canadian healthcare landscape evolves, provincial governments continue to collaborate with the retail pharmacy channel across an expanding range of healthcare services. This collaboration has been driven by both the benefits of partnership in patient care and this channel's cost-effective nature. The integral role of our pharmacies has made it such that Neighbourly is well positioned to grow our scope of practice and service an increasing share of our patients' health-related needs. In many regions, our pharmacists are permitted to independently prescribe and renew medications for minor ailments and conditions, give vaccinations, order lab testing, and more, all without a physician's involvement.

While front shop revenues accounted for 21.4% of Neighbourly's revenues during Fiscal 2023, pharmacy revenues accounted for approximately 78.6% of total revenues, which compares to 40 to 50% for our competitors, on average. During the same period, our pharmacy teams dispensed over 12 million prescriptions. In the communities in which we operate, based on the knowledge and experience that we have gained through building our network and acquiring independent pharmacies in these markets, we believe that we benefit from structurally higher margins than our competitors and are able to immediately realize synergies, primarily through procurement and merchandising initiatives.

It is our excellence in pharmacy services, the resilient relationships with our pharmacy teams and the inherent trust we have cultivated with our patients that best differentiates our offering, creating a barrier to entry for our competitors and providing us with highly stable cash flows.

We intend to continue to build market share in the pharmacy category by continuing to offer the added convenience of expanding home delivery, rollout of additional clinical services, virtual health clinics, etc.

Acquirer of Choice in a Highly Fragmented Market

The fragmented nature of the Canadian drug retailing marketplace provides Neighbourly with significant opportunity to grow through the acquisition of independently operated pharmacies. With over half of the approximately 11,500 pharmacies in Canada being independently owned, including many that are experiencing ownership succession challenges, we believe we are uniquely positioned to continue to acquire pharmacies in these smaller communities. The pharmacies we acquire have often served their local communities for decades, and we take pride in continuing that legacy, while driving incremental value through exceptional patient care. We also maintain a commitment to meticulously closing on deal terms and accommodating vendors' schedules – which has allowed us to foster an industry-wide reputation as the acquirer of choice. This in turn supports our acquisition pipeline through frequent referrals amongst the independent pharmacy community. Once entering the network, we often offer our pharmacy teams increased operating autonomy to drive performance, overlaid with incentives to align our objectives.

Regulatory Environment Overview

Pharmacies in Canada are subject to numerous federal and provincial governmental regulations and licensing requirements. As a result, Neighbourly operates in an environment in which regulation and government funding play a key role. See “Risk Factors – Risks Related to our Business and Industry”.

General Pharmacy Regulation

The provision of pharmacy services is regulated in Canada at both the provincial and federal levels. Each province and territory has pharmacy legislation that generally provides for the licensing and conduct of pharmacists, pharmacy technicians and pharmacies. This legislation includes qualifications to practice or operate a pharmacy, ownership restrictions, investigation and disposition of complaints, and the advertising of pharmacies and pharmacy services. The distribution of medications is regulated at both the provincial and federal levels.

We believe that the Canadian regulatory environment is generally favourable to retail pharmacy operators. Market growth continues to be driven by favourable demographic changes, the introduction of novel specialty therapies, increased drug genericization, and the following characteristics:

- ***Prescription Drug Prices in Canada:*** As a result of reforms undertaken in Canada over the last several years, generic drug prices are now more in-line with comparable developed countries, and all market participants have greater predictability and visibility on pricing. Canadian prescription drug costs are highly regulated, limiting the ability of disruptors to offer lower, competitive, “below market” pricing.

In 2010, provincial governments created the pCPA, which resulted in greater commonality in drug coverage and generic drug pricing. In 2014, the pCPA instituted drug reforms that resulted in savings and stabilization of reimbursement for both provincial (ex-Quebec) and private payers. These reforms began annually, but in April 2018, the pCPA announced a five-

year pricing agreement to create a multi-year stabilized outlook. Many provincial and private drug plans now utilize pricing structures and incentives to encourage the prescription and dispensation of generic drugs, which provide pharmacies with a greater margin. The share of generic units sold has increased from 62% of the Canadian pharmaceutical market in 2010 to 76% in 2018, the third-highest generic retail market share among the 37 member countries of the Organization for Economic Co-operation and Development. Furthermore, the share of generic spending decreased from 32% to 25% over the same period. The decline in generic drugs' share of overall pharmaceutical spending, despite higher usage, reflects the fact that they are priced materially below brand drugs, providing system-wide cost savings to payers.

- ***Well Established Provincial Regulatory Regime:*** Pharmacy in Canada is one of many self-regulating professions, meaning that the provincial/territorial governments have delegated their authority to regulate the profession. Each province has established a College of Pharmacists, a highly influential regulatory authority that establishes the province's regulatory framework for the profession. Under this framework, most provincial pharmacy regulations prohibit inter-provincial shipping, meaning prescriptions cannot be filled in one province and shipped to another. This limits centralization and diminishes the economies of scale required for the sustainability of a mail order model. Moreover, Canadian prescription drug costs are highly regulated, restricting the ability of disruptors to offer lower, competitive, "below market" pricing. For instance, the standardized markup on branded and generic drugs typically ranges from 6% to 8%. We believe that the combination of these factors should limit the potential competitive threat posed by mail order competitors.
- ***Expanding Scope of Practice:*** To provide patients and payers with more accessible and cost-effective healthcare delivery, provincial regulation and legislation has shifted to expand pharmacists' scope of practice. Pharmacists across most provinces and territories may now provide limited healthcare advice, dispense drugs, provide services such as flu shots and other injections, medication reviews, authorize prescriptions for minor ailments, and perform certain tests, among other things. This expanded scope of practice translates to pharmacies being able to offer additional in-store services within their existing footprint, thereby driving incremental revenue and profitability. Many of these services are publicly funded. During the COVID-19 pandemic, several provinces and territories have also authorized and encouraged COVID-19 asymptomatic testing and vaccination in retail pharmacy.

Regulation of Prescription and Non-Prescription Medication

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility, drug pricing and may also regulate manufacturer allowance funding that may be provided to or received by pharmacies. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost, the permitted mark-up and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. By way of example, in each province of Canada, dispensing fees typically range from \$8.00 to \$12.99. With respect to drug product eligibility, such laws and

regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, some provinces set out the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

While the sale of prescription drugs is regulated by various federal and provincial acts, sales of non-prescription drugs have traditionally been regulated provincially, under schedules that vary across the country, although many provinces have adopted the uniform drug schedules established by The National Association of Pharmacy Regulatory Authorities. Provinces that have not adapted the uniform drug schedule, often base their own scheduling decision on those schedules.

Provincial legislation may also govern the relationships between manufacturers and pharmacists. Historically, pharmacists have benefited from certain rebate, professional allowances, or other benefits from generic manufacturers. Certain provinces have implemented legislation in relation to this practice. As an example, in Ontario, such payments are only permitted if they are provided in accordance with ordinary commercial terms, are set out in a written agreement, and are for a prompt payment or volume discount or a distribution fee. Moreover, the Saskatchewan public drug plan is currently in negotiations on a new agreement with the Pharmacy Association of Saskatchewan, and until such time as a new agreement is reached, the current agreement, which was set to expire on March 1, 2022, will remain in place. See "Risk Factors".

Pharmacy Right of Ownership

Pharmacy ownership is provincially regulated and ownership restrictions vary by province and territory. The applicable ownership rules in each province and territory in which we operate are set out below:

British Columbia

According to the *Pharmacy Operations and Drug Scheduling Act* (British Columbia), pharmacies may be owned by pharmacists or by a corporation incorporated under the *Business Corporations Act* (British Columbia) in which the majority of the directors are pharmacists (regardless of who has the majority of shares within the corporation).

Alberta

According to the *Pharmacy and Drug Act* (Alberta), pharmacy services (i.e., storing, compounding, dispensing, or selling of drugs) can only be provided from a licensed pharmacy with an appropriate category of license, or an institutional pharmacy. Only a clinical pharmacist may apply for a license and the pharmacist who holds the license to operate a pharmacy is the licensee. The licensee must personally manage, control, and supervise the operation of the licensed pharmacy, however the licensee need not be the proprietor.

Saskatchewan

According to the *Pharmacy and Pharmacy Disciplines Act* (Saskatchewan), every pharmacy shall be managed by a licensed pharmacist. The council of the Saskatchewan College of Pharmacy Professionals may issue a permit to operate a proprietary pharmacy to an applicant (i) that is a member of the Saskatchewan College of Pharmacy Professionals or (ii) that is a corporation, the majority of the directors of which are members of the Saskatchewan College of Pharmacy Professionals, and that one of those directors is the manager of the pharmacy.

Manitoba

There is no specific ownership requirement under *The Pharmaceutical Act* (Manitoba), provided however that a pharmacy must have a manager who is a member of the College of Pharmacists of Manitoba.

Ontario

Under the *Drug and Pharmacies Regulation Act* (Ontario), no person other than a pharmacist or a corporation for which (i) the majority of the directors are pharmacists, and (ii) the majority of each class of shares is owned by and registered in the name of pharmacists or in the name of a health profession corporation each of which holds a valid certificate of authorization issued by the Ontario College of Pharmacists, shall own or operate a pharmacy. Alternatively, a corporation that operated a pharmacy on the 14th day of May, 1954 can continue to operate a pharmacy regardless of ownership.

New Brunswick

There is no specific ownership requirement under the *New Brunswick Pharmacy Act, 2014* and the *Regulations of the New Brunswick College of Pharmacists*, provided however that a pharmacy must have a manager who is a member of the New Brunswick College of Pharmacists.

Newfoundland and Labrador

Under the *Pharmacy Act, 2012* (Newfoundland and Labrador), a pharmacy shall have a “pharmacist in charge” designated on the license. No person other than a “pharmacist in charge” shall direct, control or manage a pharmacy.

Northwest Territories

While there are no specific ownership rules under the *Pharmacy Act* (Northwest Territories), no person except a pharmacist shall engage in an exclusive scope area of the practice of pharmacy (which includes the responsibility for preparing, distributing and controlling drugs in a pharmacy and supervising the practice of pharmacy).

Regulations Governing Cybersecurity and the Protection of Data and Privacy in Canada and other Jurisdictions

The Company and its subsidiaries collect, use, store and otherwise process sensitive information, including personal information, personal health information and health card

numbers. The Company is subject to a variety of federal, provincial, and local laws in Canada that regulate the collection, use, storage, disclosure and other processing of personal information and personal health information. Additionally, pharmacy legislation and the Colleges of Pharmacy may impose certain record keeping and data protection requirements. These laws may restrict or regulate the manner in which we collect, use, disclose, access, retain, store and safeguard personal information and require us to use industry-standard or reasonable measures to safeguard personal or confidential information. Some jurisdictions have enacted laws requiring companies to notify governmental authorities, individuals and/or other organizations of certain security breaches, such as those involving certain types of personal information or those giving rise to significant risk of harm to an individual. In certain cases, it may be necessary to modify our planned operations and procedures to comply with these privacy laws. Our failure to comply with applicable laws may subject us to additional liabilities, which could subject us to claims or other penalties and may adversely affect our business and results of operations and financial condition. Not only may some of these laws impose fines and penalties upon violators, but also some may afford private rights of action to individuals who believe their personal information has been misused or otherwise compromised. We may also be subject to other provincial and federal privacy and anti-spam laws, including laws that prohibit unfair privacy and security practices and deceptive statements about privacy and security and laws that place specific requirements on certain types of activities, such as data security and electronic messaging.

We are subject to risks relating to cybersecurity and the protection of data and privacy. For more information, see “Risk Factors”.

Competitive Landscape

Pharmacy retail businesses compete with other drugstore chains, supermarkets, online and other discount retailers, independent pharmacies, membership clubs, convenience stores and mass merchants. We also face competition from other retail health care clinics, as well as other mail order pharmacies.

We believe we are well-positioned to differentiate ourselves from our competitors. In contrast to major national retail pharmacy chains, we operate in a unique segment of the market that is characterized by differences in geographic profile and sales mix. Neighbourly’s strategy is focused on operating pharmacies in smaller communities (with a population below 100,000) and underserved markets with a store format and size (square footage) that best fits the market.

Over two thirds of Neighbourly’s pharmacies are in communities with a population of less than 100,000 inhabitants. These communities are typically underserved and subject to less intense competition. This is in contrast to some of the larger pharmacy competitors, who operate between 60% and 70% of their locations in large urban centers. In addition, our stores’ historical focus on service and relationships has resulted in considerable patient loyalty with our patients being more reliant on our pharmacies and visiting our locations for a larger portion of their healthcare needs relative to our competitors.

Moreover, on average, our locations generate approximately 70% to 80% of their revenues from prescription medication, with 20% to 30% coming from front shop revenues, which helps

address the lower level of healthcare accessibility in our markets while generating higher margins. This translates to a high degree of patient care and involvement within the communities we serve. Conversely, we estimate that the larger pharmacy competitors typically derive 40% to 50% of their revenues from prescriptions and 50% to 60% from front shop revenues, reflecting their larger typical square footage footprint in each store and differing consumer preferences.

Environmental Protection

The Company recognizes that it must conduct its business in such a manner as to protect and conserve the environment, and the Company believes that it is compliant in all material respects with all applicable environmental laws. Management is not aware of any pending environmental legislation which would be likely to have a material impact on any of its operations, and the Company does not expect that there will be material financial or operational effects as a result of environmental protection requirements on its capital expenditures, profit or loss, or its competitive position in the current fiscal year or in future years.

Our Employees

As at March 25, 2023, we had 3,648 employees, of which approximately 3,495 were employed in our stores and 153 were employed at our head office.

At Neighbourly, corporate social responsibility and giving back to the communities in which we operate is an integral part of our culture, and we believe a key factor in the success of the Company. We believe that the focus of operating as a socially responsible company serves to motivate and deepen the engagement of our employees, builds stronger relationships with our customers and employees and positively impacts the communities in which we operate. Through our caring culture, we are able to engage and develop our relationships with our employees, which leads to higher tenure and proficiency. Please refer to the heading “Statement of Corporate Governance Practices – Environment, Social and Governance” in the Company’s management information circular dated June 20, 2022 filed in connection with the annual general meeting of shareholders held on August 2, 2022 (available on SEDAR under the Company’s profile at www.sedar.com), for a detailed discussion on Neighbourly’s approach to environmental and social responsibility and the initiatives implemented by the Company to reinforce its values anchored on (i) healthy communities, (ii) a healthy and inclusive workplace and (iii) healthy and sustainable business operations.

Our caring culture also makes Neighbourly a welcoming working environment, as we foster a diverse and inclusive workplace by promoting gender diversity. As at the date hereof, approximately 80% of our employees are women. 22% of Neighbourly’s senior management team and approximately 29% of the members of the Board are women.

As at March 25, 2023, 164 of our employees in certain stores are currently unionized, which represents approximately 4% of our total employee workforce. Such employees are covered by three collective bargaining agreements with labor organizations, which are set to expire on September 30, 2023, January 31, 2026 and October 31, 2026, respectively. We have a long history of good employee relations and open communications and consider our relations with our employees and the labor organizations representing them, as applicable, to be excellent.

Specialized Skill and Knowledge

Various aspects of the Company's business require highly skilled and qualified personnel. Such necessary professionals include, but are not limited to, pharmacists, sales and marketing personnel, skilled management and store operators, as well as expertise related to legal compliance, finance and accounting. We believe the Company has adequate personnel with the specialized skills and knowledge to successfully carry out the Company's business and operations. See "Risk Factors" for a reference to the risks of losing such specialized skill and knowledge.

Leased Properties

We currently have 291 stores, all located in Canada and the vast majority of which are leased. Our stores total an aggregate of over 1,219,121 square feet of space, and average approximately 4,200 square feet, generally ranging in size from 1,000 square feet or less to 7,000 square feet. Our four support offices occupy approximately 21,000 square feet in total space and are also leased. All stores are leased under operating leases that typically extend to 10 years when combined with renewals, with some leases containing additional options for renewal. Our leases are entered into with a variety of landlords, none of which owns more than 8% of our leased properties, and we consider our relationships with all such landlords to be excellent.

Nine of our pharmacies, located in Ontario and in Newfoundland and Labrador, are located in grocery stores operated by Loblaws pursuant to a license agreement between the Company and Loblaws. Upon expiry or termination of the license, the assets used by the Company in the operations of such pharmacies as well as inventory are to be purchased by Loblaws based on prices and formulas set out in the license agreement.

We consider our facilities to be in good condition and working order and we believe that our existing facilities are suitable and adequate to support our existing operations.

Our Intellectual Property

The Company believes that its trademarks are important to its competitive position. The Company relies on the applicable intellectual property laws and the common law protection afforded to trademarks for the protection of its intellectual property. In addition, the Company, directly or indirectly through its subsidiaries, owns certain domain names, including neighbourlypharmacy.ca, as well as five trademarks and/or trademark applications, the "L Design" trademark (TM 302,426), "Your medication experts" trademark (TM 951,364), "SIMPL" trademark (TMA931,063), "Rubicon Design" logo trademark application (File No. 2124144), and "Rubicon Pharmacies" trademark application (File No. 2124145).

Seasonality

Pharmacy retail businesses are relatively stable in nature particularly given approximately 70% to 80% of our revenues are driven by prescriptions. Seasonal inventory is purchased in anticipation of holiday seasons and some locations are considered tourist locations however, the seasonality is not meaningful. The Company's business may further be impacted by

extraordinary events, such as the COVID-19 pandemic which resulted in unusual and temporary variability among some of our past quarters during Fiscal 2021 and 2022.

GENERAL DEVELOPMENT OF NEIGHBOURLY'S BUSINESS

Below is a summary of key general developments of our business over the last three completed financial years.

Three-Year Business Development History

Recent Developments

Acquisitions

Subsequent to March 25, 2023:

- The Company entered into an Asset Purchase Agreement to acquire the assets of three retail pharmacies located in Ontario. The transaction is expected to close in the second quarter of fiscal year 2024 subject to customary closing conditions.
- The Company entered into a Share Purchase Agreement to acquire seven retail pharmacies located in Saskatchewan. The transaction is expected to close in the second quarter of fiscal year 2024 subject to customary closing conditions.

Fiscal 2023

Acquisitions

During Fiscal 2023, the Company completed the acquisition of 112 pharmacy locations, through the following transactions:

- On April 21, 2022, the Company acquired one retail pharmacy located in Manitoba;
- On June 15, 2022, the Company acquired the assets of two retail pharmacies located in Alberta;
- On June 27, 2022, the Company completed its acquisition of the network of retail pharmacies known as Rubicon Pharmacies ("**Rubicon**") for total cash consideration of \$441 million (the "**Rubicon Acquisition**"). The Rubicon Acquisition increased the Company's network by 100 locations in key Western Canadian provinces. Please refer to the Business Acquisition Report of the Company dated July 29, 2022 and available on SEDAR at www.sedar.com under the Company's profile for more information on the Rubicon Acquisition;
- On August 23, 2022, the Company acquired a retail pharmacy located in Manitoba;
- On November 7, 2022, the Company acquired six retail pharmacies located in Atlantic Canada; and

- On December 16, 2022, the Company acquired two retail pharmacies located in British Columbia.

Sale and Leaseback Transaction

On March 20, 2023, the Company completed the planned divestiture of 18 non-core real estate properties which had been acquired as part of the Rubicon Acquisition, for net proceeds of approximately \$12 million. The Company concurrently entered into leases for the pharmacies located in such locations.

Credit Agreement

On June 27, 2022, concurrent with the Rubicon Acquisition, the Company, entered into a sixth amended and restated credit agreement (the “**Restated Credit Agreement**”) providing for the following credit facilities: (a) an upsized \$200 million revolving credit facility maturing May 25, 2026 (the “**Restated Revolving Credit Facility**”), and (b) an upsized \$200 million senior term loan credit facility maturing May 25, 2026 (the “**Restated Term Facility**”) (together with the Restated Revolving Credit Facility, the “**Restated Credit Facilities**”). The Restated Credit Facilities are secured with substantially all of the Company’s assets, contain customary representations and warranties and restrictive covenants, and require compliance with certain financial ratios.

Management Changes

On August 30, 2022, the Company announced the appointment of Mr. Billy Wong as Chief Financial Officer to succeed Ms. Terri Smyth as she stepped away for family reasons. Concurrently with Ms. Smyth’s departure, Mr. Zev Zelman was appointed corporate secretary of the Company.

On January 24, 2023, the Company announced the appointment of Mr. Skip Bourdo as Chief Executive Officer, in replacement of Mr. Chris Gardner, who voluntarily stepped down from the position and agreed to continue to support the Company in a strategic advisor role.

Skip Bourdo is an accomplished pharmacy and healthcare executive with 30 years of industry experience. Mr. Bourdo had a successful 27-year career at Walgreens, one of North America’s largest pharmacy chains, starting as a cashier, then store manager, and growing in positions of ever-increasing responsibility, including integration and business transformation roles, and culminating as Group Vice President, Pharmacy and Retail Field Operations for Walgreens’ Western operations, where he oversaw a network covering 4,700 retail, health system and specialty pharmacy locations, generating over \$46 billion in revenue, and employing over 120,000 team members in 29 states, Puerto Rico and the U.S. Virgin Islands.

Fiscal 2022

Acquisitions

During Fiscal 2022, the Company completed the acquisition of 41 pharmacy locations, through the following transactions:

- On June 22, 2021, the Company acquired one retail pharmacy located in Ontario;

- On July 26, 2021, the Company acquired the assets of 10 retail pharmacies from Medical Pharmacies Group Limited (“**MPGL**”), as well as 100% of the shares that MPGL owns in the capital of a subsidiary, which constitutes 51% of the shares of the subsidiary. The subsidiary operates three retail pharmacies in Canada;
- On October 26, 2021, the Company acquired one retail pharmacy located in Ontario;
- On November 30, 2021, the Company acquired 100% of the issued and outstanding shares in the capital of Apex Pharmacies Ltd., which operates 20 retail pharmacies in Canada;
- On December 13, 2021, the Company acquired five retail pharmacies located in British Columbia; and
- On January 27, 2022, the Company acquired one retail pharmacy located in British Columbia.

Public Offerings and Other Capital Markets Transactions

On May 25, 2021, Neighbourly successfully completed its initial public offering (“**IPO**”) of 10,295,000 Common Shares at a price of \$17.00 per Common Share (the “**IPO Subscription Price**”) for gross proceeds to the Company of approximately \$175 million. In addition to the IPO, Rx Sidecar II, L.P., an entity affiliated with PCP, our controlling shareholder, purchased, on a prospectus-exempt basis in Canada, 1,058,823 Common Shares at the IPO Subscription Price for additional aggregate gross proceeds to the Company of approximately \$18 million. The underwriters under the IPO were granted by certain shareholders of the Company an over-allotment option to purchase an additional 1,544,250 Common Shares at the IPO Subscription Price. The over-allotment option was exercised in full, in relation to which the selling shareholders received aggregate gross proceeds of approximately \$26.25 million. Neighbourly’s Common Shares commenced trading on the TSX under the symbol “NBLY” on such date.

On October 19, 2021, Neighbourly filed a short form base shelf prospectus (the “**Shelf Prospectus**”) with securities regulatory authorities in each of the provinces and territories of Canada. The Shelf Prospectus allows the Company and certain of its security holders to qualify the distribution by way of prospectus in Canada of Common Shares, Preferred Shares, debt securities, warrants, subscription receipts, or any combination of such securities, for up to an aggregate offering price of \$500 million (or its equivalent in any other currency), in one or more transactions during the 25-month period that the Shelf Prospectus, including any amendments thereto, remains in effect.

On October 25, 2021, Neighbourly successfully completed a treasury and secondary bought deal public offering of Common Shares (the “**October Offering**”). A total of 4,864,500 Common Shares were sold, including the full exercise by the underwriters of their over-allotment option, at a price of \$30.75 per Common Share. The October Offering consisted of a treasury offering by the Company of 977,000 Common Shares for gross proceeds to the Company of approximately \$30 million, as well as a secondary offering by certain entities affiliated with PCP of 3,887,500 Common Shares, for gross proceeds to the selling shareholders of approximately \$120 million. The Company did not receive any of the proceeds of the secondary offering.

On March 18, 2022, Neighbourly successfully completed a public offering (the “**Public Offering**”) of 5,175,000 subscription receipts of Neighbourly (the “**Subscription Receipts**”) at a price of \$28.95 per Subscription Receipt for aggregate gross proceeds to the Company of

approximately \$149 million, which includes the full exercise of the over-allotment option by the underwriters under the Public Offering, as well as a concurrent private placement (the "**Concurrent Private Placement**") of 4,772,500 subscription receipts of Neighbourly (the "**Placement Subscription Receipts**") to an affiliate of PCP at a price of \$28.95 per Placement Subscription Receipt for aggregate gross proceeds to the Company of approximately \$138 million, which includes the full exercise of the over-allotment option by PCP in April 2022 under the Concurrent Private Placement. The net proceeds of the Public Offering and the Concurrent Private Placement were used to fund in part the purchase price payable under the Rubicon Acquisition. On June 27, 2022, concurrent with the closing of the Rubicon Acquisition, each Subscription Receipt and Placement Subscription Receipt was converted into one Common Share.

Fiscal 2021

Acquisitions

During Fiscal 2021, the Company completed the acquisition of 38 pharmacy locations, including the following:

- On July 15, 2020, the Company acquired one retail pharmacy located in Alberta;
- On July 16, 2020, the Company acquired one retail pharmacy located in Alberta;
- On September 30, 2020, the Company acquired 35 retail pharmacies located in Western Canada; and
- On December 1, 2020, the Company acquired one retail pharmacy located in British Columbia.

The Company also purchased certain assets of one retail pharmacy operating in Canada from Remedy's Holdings Inc. on February 19, 2021.

RISK FACTORS

In addition to all other information set out in this AIF, as well as our audited consolidated financial statements and notes for Fiscal 2023 and Management's Discussion and Analysis for Fiscal 2023, the following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in the Company. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may also become important factors that affect our future business, financial condition and results of operations. The occurrence of any of these risks could materially and adversely affect our business, prospects, financial condition, results of operations or cash flow. In these circumstances, the market price of our Common Shares could decline, and an investor in the Company may lose all or part of its investment. See "Forward-Looking Information".

Risks Relating to Our Business and Industry

The Company conducts its business in a highly regulated industry and environment.

Pharmacies in Canada are subject to numerous federal and provincial governmental regulations and licensing requirements and Neighbourly operates in an environment in which regulation and government funding play a key role. Much of the regulation is provincial and pharmacies may encounter different regulations in different provinces. Non-compliance with any existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of pharmacies, the licensing and conduct of pharmacists, the regulation, ownership and operation of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drugs, the distribution, pricing and sale of prescription drugs, privacy matters and restrictions or prohibitions on manufacturer allowance funding, could result in civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which may impact the Company's results of operations or financial position.

As a result of the Company's expanded footprint in the Canadian Prairies following the closing of the Rubicon Acquisition, the Company's exposure to the risks associated with the regulatory environment in such markets and geographies has been significantly heightened.

In addition, any changes to the numerous laws, regulations and policies of federal, provincial, territorial or local governmental authorities affecting the Company's activities, or the interpretation of such laws or regulations, including delisting of services or changes to licensing requirements relating to healthcare services, or their interpretation or application, could have a material adverse effect on the business, its performance, financial condition, results of operations, prospects and on the sales growth of Neighbourly and the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs.

In particular, changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales, particularly branded drugs. Public drug plans set dispensing fee reimbursements either through regulation or agreements with pharmacy associations. Reimbursements vary considerably by plan, with some public drug plans putting restrictions on fee reimbursement and the frequency of dispensing. The Saskatchewan public drug plan is currently in negotiations on a new agreement with the Pharmacy Association of Saskatchewan, and until such time as a new agreement is reached, the current agreement, which was set to expire on March 1, 2022, will remain in place. Any changes in the pharmacy regulatory framework may have a material adverse impact on the Company's business, sales and profitability.

Changes in reimbursement programs, prescription drug pricing and commercial terms could adversely affect our operations and financial performance.

The Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these

laws and regulations, could have a material adverse impact on the Company's business, sales and profitability.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility, drug pricing and may also regulate manufacturer allowance funding that may be provided to or received by pharmacies. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or corporate employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products. Other measures that have been implemented by certain government payers include restricting the number of interchangeable prescription drug products which are eligible for reimbursement under provincial drug plans.

Legislation in certain provincial jurisdictions establish listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price granted by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales in the private sector. Also, private third-party payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public

drug plan could also impact pharmacy reimbursement and manufacturer allowances for private sector sales. In addition, private third- party payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers.

Changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales, particularly branded drugs. These changes may have a material adverse impact on the Company's business, sales and profitability. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs. Non-compliance with any such existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of wholesalers, the licensing and conduct of pharmacists, the regulation and ownership of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drug products, the pricing of prescription drugs, privacy and confidentiality and interactions with provincial drug and eHealth systems, could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Our business is highly competitive and we may be subject to further pressure from current and future competitors.

Pharmacy retail businesses compete with other drugstore chains, supermarkets, online and other discount retailers, independent pharmacies, membership clubs, convenience stores and mass merchants. We have competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than we do. We also face competition from other retail health care clinics, as well as other mail order pharmacies. Our potential new or existing competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or customer requirements. In addition, some of our larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell our products at lower prices. Disruptive innovation by existing or new competitors could alter the competitive landscape in the future. Competition may also come from other sources in the future. Changes in market dynamics or the actions of competitors or manufacturers, including industry consolidation, the emergence of new competitors and strategic alliances could materially and adversely affect our pharmacy retail businesses.

Competition from on-line retailers has significantly increased during the past few years and the Company continues to face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Moreover, existing competitors may start offering drug related products online or may expand their existing internet- based businesses to drug-related products. An increase in internet-based

competition for drug- related products or failure by the Company to adequately assess and address this evolving retail trend, to compete effectively with it, and to adapt our operations to service the changing needs of our customers could have a material adverse impact on the Company's business, financial condition, liquidity and results of operations.

The COVID-19 pandemic has changed consumer behaviours and accelerated the advancement of disruptive technologies and has resulted in a significant increase in e-commerce competition. The Company's inability to keep up with the pace of such behavioural changes or technological advancements or with its competitors could adversely affect the Company's operations or financial performance.

Our business is impacted by the interplay between brand name and generic drugs.

The profitability of pharmacy businesses depends upon the utilization of prescription drugs. Utilization trends are affected by, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs generally due to higher gross margins on the sale of generic alternatives. Inflation in the price of drugs also can adversely affect utilization. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could have an impact on results of operations. In addition, gross profit margins could be adversely affected if there is an increase in the amounts we pay to procure pharmaceutical drugs, including generic drugs, or if new brand name drugs replace existing generic drugs.

Changes in drug development and prescription mix may impact the Company's results of operation.

A significant portion of the Company's sales is dependent on the markup the Company earns on drugs dispensed as well as the related dispensing fee. The sources and amounts of the Company's sales are determined by a number of factors, including the mix of patients, mix of pharmaceuticals dispensed and rates of reimbursement from payors. Changes in the mix of any of these categories could impact the Company's sales and results of operations.

The Company dispenses significant volumes of prescription medications from its pharmacies. Dispensing volume is a driver of sales and profitability. When drug products are modified or withdrawn by manufacturers, or when increased safety risk profiles of specific drugs or classes of drugs result in decreased usage, physicians may reduce or stop writing prescriptions for these drugs. Negative media reports or other reputational issues regarding drugs could result in reduced consumer demand for such drugs. In cases where there are no acceptable prescription drug equivalents or alternatives for these prescription drugs, the Company's prescription volumes, sales and profitability could decline.

The pharmaceutical industry's pipeline of new drugs includes many drugs that over the long term may replace older, more expensive therapies, whether due to the development of new or

more effective treatments, the replacement of brand name drugs with generic substitutes, the development of biosimilars or other replacement therapies and new and less expensive delivery methods (such as when an infusion or injectable drug is replaced with an oral drug) or additional products are added to a therapeutic class. As new treatments and drugs are developed, price competition among competing manufacturer's products may increase. In such cases, drug costs may decline. The mix of the Company's dispensed drugs could and will change over time as technology advances and existing products are improved or become obsolete and these changes are likely to impact the Company's sales, results of operations and financial condition.

Product liability, product recall or personal injury issues could damage our reputation and have a significant adverse effect on our business, operating results, cash flows and/or financial condition.

Pharmacy retail businesses could be adversely impacted by the supply of defective or expired products, including the infiltration of counterfeit products into the supply chain, errors in re-labeling of products, product tampering, product recall and contamination or product mishandling issues. Furthermore, a disruption in business operations could occur as a result of contamination of drugs, a failure to maintain necessary shipment and storage conditions, errors in mail order processing, the unavailability of prescription drugs provided by suppliers, labor disruptions or other unanticipated disruptions, among other factors. Neighbourly seeks to manage this risk through the use of multiple logistics providers such that if there was a disruption of service from one service provider, another party may be used. However, such disruption could reduce Neighbourly's ability to process and dispense prescriptions and provide products and services to customers. Errors in the dispensing and packaging of pharmaceuticals, including related counseling, in consuming drugs in a manner that is not prescribed and in the provision of other healthcare services could lead to serious injury or death. Product liability or personal injury claims may be asserted with respect to any of the drugs or other products or services we sell or provide. The occurrence of such events or incidents, as well as the failure to maintain the cleanliness and health standards at store level, could result in harm to customers negative publicity or could adversely affect brand, reputation, operations or financial performance and could lead to other unforeseen liabilities from legal claims or otherwise.

Neighbourly may not be able to avoid significant liability exposure even if it takes appropriate precautions, including maintaining liability coverage (subject to deductibles and maximum payouts). Any liability that the Company may have as a result could have a material adverse effect on the business, financial condition and results of operations of the Company, to the extent insurance coverage for such liability is not available. Liability claims in the future, regardless of their ultimate outcome, could have a material adverse effect on the Company's reputation, its ability to attract and retain customers and may detrimentally divert management's attention away from the business.

The occurrence of unanticipated serious adverse events or other safety problems could cause the regulatory bodies to impose significant restrictions on the distribution or sale of drug products or provision of the Company's pharmacy services. In addition, the discovery of previously unknown safety problems or increased severity or significance of a pre-existing safety signal could result in withdrawal of the product from the market, product recalls or other

material adverse effects on operations. If the Company fails to or does not promptly withdraw pharmaceutical products upon a recall by a drug manufacturer, its business and results of operations could be negatively impacted.

Reputational risk.

Reputational damage can result from the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views, whether true or not. The Company promotes nationally branded, non-proprietary products, as well as private label, proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Company or the related products, which could have an adverse impact on the financial performance of the Company.

Pharmacist errors may harm our business and our reputation.

The Company dispenses over 12 million prescriptions per year, and as with any pharmacy, medication errors are an inevitability. Exposure to risks related to managing confidential information and possible professional errors by pharmacists could have a significant impact on reputation and corporate image. Medication errors can arise from human error from the prescribing physician or nurse practitioner, from a pharmacist or pharmacy assistant in processing and dispensing a prescription, or from a failure in technology that the Company relies upon to package medication. Pharmacists may also offer counseling to customers about medication, dosage, delivery systems, common side effects and other information the pharmacists deem significant. Further, pharmacists may have a duty to warn customers regarding any potential negative effects of a prescription drug if the warning could reduce or negate these effects. An error or omission in any of those areas could cause reputational harm, loss of customers, litigation, increased insurance premiums and impact financial performance.

Consolidation in the supply chain may negatively impact drug prices and our competitiveness.

Many sourcing and procurement organizations in the healthcare industry have consolidated to create larger healthcare enterprises with greater market power. While this consolidation could increase efficiency and has the potential to improve the delivery of health care services, it also reduces competition and the number of potential contracting parties in certain geographies and has led to pricing pressures. New and proposed acquisitions, partnerships and strategic alliances in the healthcare industry can alter market dynamics and impact businesses and competitive positioning. Changes in the participants in global sourcing enterprises relating to drug procurement, whether as a result of mergers, acquisitions or other transactions, can also have a similar effect on market dynamics and business. In addition, further consolidation among generic drug manufacturers could lead to generic drug inflation in the future. We expect that market demand, government regulation, third-party reimbursement policies, government

contracting requirements, and societal pressures will continue to cause the healthcare industry to evolve, potentially resulting in further business consolidations and alliances among industry participants.

The Company relies on McKesson for a significant portion of its supply of products.

The Company purchases a significant portion of its inventories from McKesson under a Banner Agreement dated January 1, 2019 (as amended from time to time). The agreement has an initial term of 10 years from January 1, 2019, with successive renewal terms of 1 year, unless terminated by the Company by notifying McKesson in writing at least 60 days prior to the expiry of the initial term or each successive renewal term, as applicable. There is no right of termination for convenience for either McKesson or the Company under the agreement. In the event of expiry of the term or earlier termination of the agreement, the Company must immediately discontinue the use of the McKesson intellectual property, advertising or other displays or material indicating any association with the McKesson banner program. The Company has maintained an excellent relationship with McKesson since inception and management expects this will continue going forward.

Under the agreement, the Company, for certain listed pharmacies, is required to purchase 95% of its monthly brand and general pharmaceutical purchases from McKesson, subject to certain exceptions. As such, the Company is dependent on McKesson for timely supply of products, including general pharmaceutical products, McKesson's private label merchandise and McKesson's promotional merchandise required to be used by the Company under the agreement. From time to time during periods of intense demand or supply chain disruptions, McKesson may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment in the conduct of business. However, there can be no assurance that McKesson will continue to supply its products in the quantities and timeframes required by the Company.

Disruption of the global supply chain and ineffective service providers could adversely affect our business.

Products are sourced from a wide variety of domestic and international vendors, and any future disruption in supply chain or inability to find qualified vendors and access products that meet requisite quality and safety standards in a timely and efficient manner could adversely impact retail pharmacy businesses.

The loss or disruption of supply arrangements for any reason, including for issues such as health epidemics or pandemics, labor disputes, strikes, delays or shutdowns at delivery ports, loss or impairment of key manufacturing sites, inability to procure sufficient raw materials, quality control issues, ethical sourcing issues, a supplier's financial distress, natural disasters, civil unrest or acts of war or terrorism, trade sanctions or other external factors, could interrupt product supply. Additionally, offshore sourcing increases certain risks, including risks associated with drug safety, product defects, non-compliance with ethical and safe business practices and inadequate supply of products.

The current global supply chain disruptions and shortages may affect our supply chain and result in low levels of inventory for some of our products. To the extent this disruption continues, and we are unable to mitigate the effects of this shortage, our ability to procure sufficient quantities of our products to support our inventory needs and to support our growth may be adversely affected. In the event of a shortage or supply interruption from our suppliers, we may not be able to develop alternate sources quickly, cost-effectively, or at all.

Ineffective selection of service providers (including transport carriers, logistics service providers and operators of warehouses and distribution facilities), contractual terms or relationship management could impact ability to source products (both national brand and control brand products), to have products available for customers, to market to customers or to operate efficiently and effectively.

Failure to meet customer expectations may harm our brand and reputation, our ability to retain and grow our customer base and our operating results.

The success of retail pharmacy businesses depends on their ability to offer a superior shopping experience, engaging customer service and a quality assortment of available merchandise that differentiates from other retailers.

Products and services must satisfy the needs and desires of customers, whose preferences may change. It is difficult to predict consistently and successfully the products and services customers will demand. Failure to timely identify or effectively respond to changing consumer preferences and spending patterns, and evolving demographic mixes in markets, an inability to expand the products being purchased by clients and customers, or the failure or inability to obtain or offer particular categories of products could adversely affect relationships with customers and clients and the demand for products and services and could result in excess inventories of products, which could adversely affect our operating results.

The Company's use and disclosure of personally identifiable information, including personal health information, is subject to privacy and security regulations.

The Company is subject to a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under PIPEDA, *the Personal Health Information Protection Act* (Ontario), and other similar provincial legislation, including personal health information protection legislation applicable in the provinces and territories of Canada, protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. In addition, the interpretation of data protection laws in Canada is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from jurisdiction to jurisdiction, and in a manner that is not consistent with the Company's current data protection practices. Changes to such data protection laws may impose more stringent requirements for compliance and impose significant penalties for non-compliance. Any such new laws or regulations, or changing interpretations of

existing laws and regulations, may cause the Company to incur significant costs and effort to ensure compliance.

If Neighbourly was found to be in violation of the privacy or security rules under PIPEDA or such other laws protecting the confidentiality of patient health or other personal information, it could be subject to sanctions or criminal penalties, or otherwise be the subject of litigation (including a class action) for breach of privacy or failing to ensure the security of resident and patient information, any of which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. The Company also cannot be sure that its existing general liability insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or at all, or will be available in sufficient amounts to cover one or more large claims, or that its insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against the Company that exceeds its available insurance coverage, or changes in its insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on its business, financial condition and results of operations.

We may be subject to information technology systems impairment and cyber-attacks in the future.

The Company's operations are dependent on the uninterrupted operation of the Company's and its third party service providers' information systems and the information collected, processed, stored, and handled by these systems. The Company relies heavily on its computer systems, and any third party service provider systems that it employs, to manage its ordering, pricing, fulfillment, inventory replenishment and other processes. These information systems and networks are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, vandalism, fire or other catastrophic events and human error.

In addition, we collect and store personal information about our patients and are responsible for protecting that information from privacy breaches. Some of this personal information is held and managed by third party service providers. If these third parties fail to adhere to adequate data security practices, or in the event of a breach of their networks, our own and our customers' data may be improperly accessed, used or disclosed. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. The Company operates in an industry that is prone to cyber-incidents, and as such, the Company has in the past, and expect in the future, to be subject to cyber-incidents. In addition, computer malware, viruses, and hacking and phishing attacks by third parties are prevalent in the Company's industry. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. This information could also be otherwise exposed through human error or malfeasance. A cyberattack or an intrusion into our systems could result in unauthorized persons altering our systems or gaining access to sensitive and confidential information and then using or damaging it. In addition, data breaches through unauthorized access or inadvertent disclosure could result in the unintended publication or

release of personal information. Such situations could also affect third parties who provide services to our operations or who store confidential information. Any such actual or perceived theft or privacy breach could damage the Company's brand and reputation, expose the Company to a risk of litigation and possible liability and require the Company to expend significant capital and other resources to respond to and/or alleviate problems caused by the security breach, all of which would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has not experienced any material losses to date relating to cyber-incidents or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. As with other large companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming increasingly sophisticated. In addition, techniques used to disable or degrade service, sabotage or obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and may not immediately produce signs of intrusion. There may also be an increased risk of cyberattacks by state actors due to the current conflict between Russia and the Ukraine. As a result, the Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of these techniques or implement adequate preventative measures to prevent or address an attempt to breach the Company's security measures or its and its third party service providers' information systems.

The Company has implemented security measures, controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access. Such security measures include, among others, monitoring and testing, maintenance of protective systems and contingency plans and setting up controls with respect to systems access. We have also implemented an information security awareness and training program for our employees. The Company also has security processes, protocols and standards that are applicable to its third-party service providers.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third-party service providers' security measures. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company faces regulatory audit risks.

As a result of the Company's participation in provincial drug reimbursement programs, the Company is subject to various governmental reviews and audits to verify compliance with these programs and applicable laws and regulations. In particular, certain of the Company's public and private payors have the right to conduct documentation audit assessments of the Company's reimbursement records. If the Company's records are found to inadequately support invoiced pharmacy services paid by a third-party payor, or if other billing errors are identified in a sample

of reviewed claims, the billing error can be extrapolated to all claims filed by the Company. These errors could result in the Company being obligated to reimburse certain previously paid amounts. Neighbourly's costs to respond to and defend reviews and audits may be significant and could have a material adverse effect on the Company's business and financial condition, results of operations and cash flows. Moreover, an adverse review or audit could: result in the Company being required to refund or retroactively adjust amounts previously paid by governmental or private payors; result in the imposition of fines, penalties and other sanctions on the Company; damage the Company's reputation or business in various jurisdictions or impact the Company's ability to participate in the reimbursement programs. As with all participants in the pharmacy services industry, the Company has in the past, is and may, from time to time, in the future be, the subject of regulatory audits and the requirement to reimburse amounts paid by payors to the Company. Any audits and related findings could have a material adverse effect on the Company's financial condition and results of operations.

Failure to properly manage inventories and anticipate demand may impact our financial performance.

Pharmacy retail businesses are subject to risks associated with managing inventory and changes in customer's preferences. Failure by the Company to properly manage its inventory and effectively anticipate the demand for products offered may result in the Company having inventory that customers do not want, is not reflective of customers' tastes or habits, or is priced at a level customers are not willing to pay. Inability of the Company to respond to changing consumer preferences may result in excess inventory, inventory levels that are insufficient to meet demand or merchandise that may have to be sold at lower prices. The Company monitors the impact of customer trends and inventory turnover and obsolescence. However, despite these efforts, inappropriate inventory levels may negatively impact the Company's financial performance.

Change in population demographics could have an adverse effect on the Company's business, operations, financial condition and results of operations.

The aging population in Canada is a major driver of demand for pharmacy services. The Canadian population has been growing at a rate of approximately 1% per year, with an older population making up an increasingly larger proportion of the overall population as a result of the aging baby boomer generation and increasing life expectancy rates. These trends have generally resulted in an increased demand for pharmaceutical and other drugs, particularly among the elderly population. A change in any of these demographic trends, including shorter life spans, reduced incidence of illness or reduced demand for pharmaceutical drugs, could significantly impact demand for the Company's services and have a material adverse effect on the Company's business, operations, financial condition and results of operations.

The impact of economic conditions, including the resulting effect on spending by consumers, may adversely affect our business, operating results and financial condition.

Canadian pharmacies are affected by the Canadian economy and consumer confidence in general, including various economic factors, inflation and changes in consumer purchasing power, preferences and/or spending patterns. It is possible that an unfavorable, uncertain or volatile economic environment will cause a decline in drug utilization, an increase in health care utilization and dampen consumer demand for products sold in retail stores. In particular, the current deterioration in general economic conditions, including the rise in inflation and increases in interest rates, may adversely affect consumer spending, consumer debt levels and consumer demand for the Company's products and services, and as a result, adversely affect our financial performance. Economic and geopolitical uncertainties, including those related to variants of the COVID-19 virus, and Russia's ongoing invasion of Ukraine may further amplify such risks.

General inflationary pressures may affect labour and other operating costs, which could have a material adverse effect on the Company's financial condition, results of operations and the capital expenditures required to advance the Company's business plans. There can be no assurance that any governmental action will be taken to control inflationary or deflationary cycles, that any governmental action taken will be effective or whether any governmental action may contribute to economic uncertainty. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Accordingly, inflation and any governmental response thereto may have a material adverse effect on the Company's business, results of operations, cash flow, financial condition.

Weakening economic conditions may also adversely affect third parties, including suppliers and partners, with whom we have entered into relationships and upon whom we depend in order to operate and grow our business.

Risk Associated with Leverage.

As of May 31, 2023, the Company had outstanding indebtedness of approximately \$244 million. Ongoing acquisitions could increase Neighbourly's consolidated indebtedness and, as a result, could increase Neighbourly's leverage. Neighbourly's degree of leverage could have important consequences for investors, including the following:

- it may limit Neighbourly's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes on commercially reasonable terms, if at all;
- Neighbourly's borrowings are at floating rates of interest and expose
- Neighbourly to the risk of increased interest rates;
- it may limit Neighbourly's ability to adjust to changing market conditions and place Neighbourly at a competitive disadvantage compared to its competitors that are less leveraged;
- it may increase Neighbourly's financial expense and reduce its profitability;

- Neighbourly may not be able to pay dividends on its Common Shares;
- Neighbourly may be vulnerable in a downturn in general economic conditions;
- it may be more difficult for Neighbourly to satisfy its covenants with respect to its indebtedness; and
- Neighbourly may be unable to make capital expenditures that are important to its growth and strategies.

If any of these circumstances arise in the future, this could have a material adverse effect on Neighbourly's business, prospects, financial condition, results of operations and cash flows. Moreover, Neighbourly may not be able to achieve its strategic growth objectives where the required capital resources are not available to fund both its organic and acquisition growth strategy. In addition, non-compliance with financial covenants set out by the lenders in the Restated Credit Agreement, including the Restated Credit Facilities, could lead to financial losses, increased costs or cross defaults under the existing credit facilities of the Company, for instance, which in turn could have a material adverse impact on Neighbourly's business, prospects, financial condition, results of operations and cash flows.

Change in tax and trade policies, tariffs and other government regulations affecting trade between Canada and other countries could adversely affect the Company.

Many branded and generic drug products, and much of the other merchandise, are manufactured in whole or in substantial part outside of Canada. As a result, significant changes in tax or trade policies, tariffs or trade relations between Canada and other countries, such as the imposition of unilateral tariffs on imported products, could result in significant increases in costs, restrict access to suppliers, depress economic activity, and have a material adverse effect on our business, cash flows and results of operations. In addition, other countries may change their business and trade policies and such changes, as well as any negative sentiments towards Canada in response to increased import tariffs and other changes in Canada trade regulations, could adversely affect Neighbourly's business, if the Company fails to respond adequately to such changes, including by implementing strategic and operational initiatives. International developments outside of our control, such as the invasion of Ukraine by Russia, have resulted in international sanctions and restrictions and may continue to lead to economic sanctions, export controls and other restrictions that impede or prohibit selling or importing goods, services or technology in or from certain regions.

Our quarterly results of operations may fluctuate and, as a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.

Our quarterly revenue and results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our Common Shares could decline substantially. Fluctuations in our results of operations may be due to a number of factors, including:

- demand for and market acceptance of our products;
- the mix of services sold during a period;
- our ability to retain and increase sales to customers and attract new customers;
- the strength of the economy;
- changes in our pricing policies or those of our competitors;
- competition, including entry into the industry by new competitors and new offerings by existing competitors;
- network outages or security breaches; and
- the amount and timing of expenditures related to expanding our operations.

Due to the foregoing factors, and the other risks discussed in this AIF, financial stakeholders should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our success depends, in part, upon our ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary professionals, including pharmacists, sales and marketing personnel, skilled management and store operators, could have a significant impact on the Company's business, prospects, financial condition, results of operations and cash flows, specifically in highly skilled and qualified positions or roles and for which qualified replacement personnel is scarce. If the Company fails to attract, train and retain sufficient numbers of these highly qualified people, or if the Company faces further events similar to the COVID-19 pandemic which acutely increased turnover rates, its prospects, business, financial condition and results of operations will be materially and adversely affected.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan and to identify and pursue new opportunities. The failure to properly manage succession plans and/or the loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our business, financial condition and operating results and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business, and could affect our corporate culture.

From time to time, we may become defendants in legal proceedings.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results or financial condition. See "Legal Proceedings and Regulatory Actions" for more information.

Labour-related matters, including labour disputes, may adversely affect our operations.

As of March 25, 2023, approximately 4.5% of our employees were members of labour unions, and additional members of our workforce may become represented by unions in the future. The exposure to unionized labour in our workforce therefore presents an increased risk of strikes and other labour disputes, and our ability to alter labour costs will be subject to collective bargaining, which could adversely affect our results of operations. In addition, potential labour disputes at our independent stores or transportation carriers create risks for our business, particularly if a dispute results in work slowdowns, lockouts, strikes or other disruptions of our operations. Any potential labour dispute, either in our own operations or in those of third parties, on whom we rely, could materially affect our costs, decrease our sales, harm our reputation or otherwise negatively affect our sales, profitability or financial condition.

Remote work.

The Company has a hybrid work model whereby employees work remotely for all or part of the work week. While employees are generally able to effectively perform their functions in a remote setting from their homes or other locations, certain additional risk factors may negatively impact the Company's ability to perform its operations efficiently, securely and without interruptions. These risks, which could adversely affect the Company's operations and financial performance, include: increased cybersecurity threats, increased dependence on telecommunication links such as Internet access in the remote locations, decreased efficiency due to the change in equipment and network speeds used for data processing and use, the timely dissemination and exchange of information, effective coaching and career development and certain functions that are difficult to conduct outside a collaborative office environment, which could, individually or in the aggregate, affect our operating results and have a material adverse effect on our financial condition.

Goodwill and other intangible assets could, in the future, become impaired.

Goodwill and indefinitely-lived intangible assets are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate that the carrying value may not be recoverable. When evaluating goodwill for potential impairment, we compare the fair value of our reporting units to their respective carrying amounts. We estimate the fair value of our reporting units using a combination of a discounted cash flow method and a market multiple

method. If the carrying amount of a reporting unit exceeds its estimated fair value, a goodwill impairment loss is recognized in an amount equal to the excess to the extent of the goodwill balance. Estimated fair values could change if, for example, there are changes in the business climate, industry-wide changes, changes in the competitive environment, adverse legal or regulatory actions or developments, changes in capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows or market capitalization. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could require material noncash charges to our operating results, which also could have a material adverse effect on our financial condition.

We may not be able to adequately protect our intellectual property.

The Company does not currently hold any registered patents or copyrights. The Company believes that its brand and trademarks are important to its competitive position. The Company depends on its continued ability to use its intellectual property in order to increase brand awareness and further develop brands and products. However, the Company's proprietary rights could be challenged, circumvented, infringed, misappropriated or invalidated by third parties. The Company relies on the applicable intellectual property laws and the common law protection afforded to trademarks for the protection of its intellectual property, and there can be no assurance that such laws will be sufficient to protect its intellectual property from third party infringement or misappropriation. The Company may be required to institute litigation to enforce its intellectual property rights.

As well, third parties may assert or prosecute infringement claims against the Company for its use of intellectual property allegedly owned by third parties. If the Company is unable to successfully defend against these claims, it could be liable to such third parties or the Company's intellectual property could be invalidated.

Any such litigation could result in substantial costs, diversion of resources and could negatively affect the Company's revenue, profitability and prospects regardless of whether it is successful in the litigation. A decrease in value of the Company's trademarks or brand as a result of adverse events, including third party infringement, could adversely affect the reputation, operations or financial performance of the Company.

We are subject to a variety of business continuity hazards and risks, any of which could interrupt our operations or otherwise adversely affect our performance and operating results.

We are subject to business continuity hazards and other risks, including natural disasters, utility and other mechanical failures, acts of war or terrorism, including Russia's invasion of Ukraine, outbreaks of infectious diseases, pandemics or similar health threats, disruption of communications, data security and preservation, disruption of supply or distribution, safety regulation and labor difficulties. The occurrence of any of these or other events to us might disrupt or shut down our operations or otherwise adversely affect our operations. We also may be subject to certain liability claims in the event of an injury or loss of life, or damage to property, resulting from such events. Although we have and maintain insurance policies that we believe

are customary and adequate for our size and industry, our insurance policies include limits and exclusions and, as a result, our coverage may be insufficient to protect against all potential hazards and risks incident to our business. In addition, our crisis management and disaster recovery procedures and business continuity plans may not be effective. Should any such hazards or risks occur, or should our insurance coverage be inadequate or unavailable, our business, operating results, cash flows and financial condition could be adversely affected.

Seasonality may impact our business and results of operation.

While our pharmacy retail business is relatively stable in nature (particularly given approximately 70% to 80% of our revenues are driven by prescriptions), seasonal inventory is purchased in anticipation of holiday seasons and some locations are considered tourist locations. Although seasonality is not meaningful to our business, adverse events, such as deteriorating economic conditions, higher unemployment, higher gas prices, public transportation disruptions, or unanticipated adverse weather, could result in lower-than-planned sales during key selling seasons. For example, frequent or unusually heavy snowfall, ice storms, rainstorms, flooding, windstorms or other extreme weather conditions over a prolonged period could make it difficult for customers to travel to stores, and could increase snow removal and other costs. This could lead to lower sales or to unanticipated markdowns. In addition, both prescription and non-prescription drug sales are affected by the timing and severity of the cough, cold and flu season, which can vary considerably from year to year.

Risks Related to our Growth Strategy

We may not be able to successfully implement our growth strategy.

Our future growth, profitability and cash flows depend upon our ability to successfully implement our growth strategy, which, in turn, is dependent upon a number of factors, including our ability to:

- pursue accretive acquisitions and integrate acquired businesses;
- drive organic growth within our portfolio; and
- leverage our large and growing network to drive operating efficiencies.

There can be no assurance that we can successfully achieve any or all of the above initiatives in the manner or time period that we expect. Further, achieving these objectives will require investments which may result in short-term costs without generating any current revenue and therefore may be dilutive to our earnings. We cannot provide any assurance that we will realize, in full or in part, the anticipated benefits we expect our strategy will achieve. The failure to realize those benefits could have a material adverse effect on our business, financial condition and results of operations.

We have experienced significant growth in recent periods, which puts strain on our business, operations and employees. We anticipate that our operations will continue to expand. To manage our current and anticipated future growth effectively, we must continue to maintain and enhance our IT infrastructure, financial and accounting systems and controls.

Failure to effectively manage our growth could also lead us to over-invest or under-invest in development and operations, result in weaknesses in our infrastructure, systems or controls, give rise to operational mistakes, financial losses, loss of productivity or business opportunities and result in loss of employees and reduced productivity of remaining employees. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our revenue may not increase or may grow more slowly than expected and we may be unable to implement our business strategy.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork and passion for our customers, with a focus on achieving positive outcomes. As we continue to grow we must effectively integrate, develop and motivate a growing number of new full-time and part-time employees. We may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to recruit and retain personnel, to continue to perform at current levels or to execute on our business strategy effectively and efficiently.

We have in the past made and in the future may make acquisitions and investments, which could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position.

We have engaged in recent acquisitions and expect to engage in future acquisitions in order to achieve our growth strategy. Our ability to execute our growth strategy depends in part on our ability to identify and acquire desirable acquisition candidates at a price and on terms acceptable to us and on our ability to successfully integrate acquired operations into our business. If we identify suitable acquisition candidates, we may be unable to successfully negotiate their acquisition at a price or on terms and conditions acceptable to us, including as a result of the limitations imposed by our debt obligations. While we expect we will be able to fund some of our acquisitions and capital expenditures with our existing resources, we will likely require additional financing, including debt, to pursue certain acquisitions. We may not be able to incur additional debt on terms favourable to us or at all.

Any transactions that we enter into following the evaluation of potential strategic acquisition or investment opportunities could be material to our financial condition and results of operations. The process of acquiring and integrating another company could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- in the case of an acquisition, implementation or remediation of controls, procedures and policies of the acquired company;
- in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company, including potential risks to our corporate culture;

- in the case of an acquisition, retention and integration of employees from the acquired company;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships with partners and customers as a result of the acquisition or investment;
- the possibility of adverse tax consequences; and
- litigation or other claims arising in connection with the acquired company or investment.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect our share price, or result in issuances of securities with superior rights and preferences to the Common Shares or the incurrence of debt with restrictive covenants that limit our future uses of capital in pursuit of business opportunities.

We may be subject to potential liabilities from past and future acquisitions that we may not discover in conducting our due diligence.

Acquired businesses may be subject to environmental, operational, tax and other liabilities and risks that were not identified at the time they were acquired. In pursuing acquisitions, we conduct due diligence on the business or assets being acquired and seek detailed representations and warranties respecting the business or assets being acquired and typically obtain indemnification from sellers of the acquired companies. Despite such efforts, there can be no assurance that the scope of such indemnification would adequately cover any liabilities as a result of acquisitions, or that we will not become subject to undisclosed liabilities as a result of acquisitions. This failure to discover potential liabilities may be due to various factors, such as our failure to accurately assess all of the pre-existing liabilities of the operations acquired or sellers failing to comply with laws. If this occurs, we may be responsible for such liabilities or violations, which could have a material adverse effect on our business, financial condition and results of operations and in some instances, could negatively impact the public perception of our brand. Further, we are also subject to the risk of fraud on the part of sellers which could, among other things, result in an overstatement of key metrics of the acquired business or in the failure to disclose instances of non-compliance with applicable laws or contracts related to the acquired business which could expose us to governmental investigation, penalties or fines, the risk of termination or renegotiation of such contracts and have a negative impact on the public perception of our brand.

A portion of our growth and future financial performance depends on our ability to integrate acquired businesses and the success of our acquisitions.

A component of our growth strategy involves achieving economies of scale and operating efficiencies by growing through acquisitions. Furthermore, our future financial performance depends in part upon our ability to efficiently and effectively combine the operations of acquired businesses into our existing operations and achieve identified cost savings and other synergies. A disruption of our IT systems may impact our model or the integration of acquired businesses. In addition, despite our model, we are not always able to control the timing of our acquisitions. Our inability to complete acquisitions within the time frames that we expect may cause our operating results to be less favourable than expected, which could cause the price of our Common Shares to decline. If we are unable to identify and correct operational or financial weaknesses in acquired businesses or to achieve the projected cost savings, our operating result and cash flows could be negatively impacted. Finally, even if we are able to make acquisitions on advantageous terms and are able to integrate them successfully into our operations and organization, some acquisitions may not fulfill our anticipated financial or strategic objectives in a given market due to factors that we cannot control, such as market conditions, market position, competition, customer base, third-party legal challenges or governmental actions.

Competition for acquisition candidates, consolidation within the pharmacy industry and economic and market conditions may limit our ability to grow through acquisitions.

We seek to grow through strategic acquisitions in addition to organic growth. Although we have and expect to continue to identify numerous acquisition candidates that we believe may be suitable, we may not be able to acquire them at prices or on terms and conditions favourable to us. Other companies have adopted or may in the future adopt our strategy of acquiring and consolidating regional and local businesses. We expect that increased consolidation in the pharmacy industry over the longer term will reduce the number of attractive acquisition candidates. Moreover, general economic conditions and the environment for attractive investments may affect the desire of the owners of acquisition candidates to sell their companies. As a result, we may have fewer acquisition opportunities, and those opportunities may be on less attractive terms than in the past, which could cause a reduction in our rate of growth from acquisitions. As at the date hereof, we have made no commitments or agreements with respect to any material transactions.

Our limited operating history makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

The majority of our revenue growth has occurred in the past 5 years. This limited operating history and recent growth make it difficult to accurately assess our future prospects. Our revenue growth may slow as our business matures. To the extent we do not continue to grow our business organically or through acquisitions, our future revenue growth may not be consistent with historic trends. You should consider our future prospects in light of the challenges and uncertainties that we face, including the fact that it may not be possible to discern fully the trends that we are subject to, and that elements of our business strategy are new and

subject to ongoing development. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business. If we do not manage these risks successfully, our business, financial condition, results of operations, cash flows and prospects will be harmed.

We may need to raise additional funds to pursue our growth strategy, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our stores, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. Further, global financial markets continue to be volatile, in part due to rising interest rates, the disruptions of the U.S. banking ecosystem and Russia's military invasion of Ukraine and the related sanctions and economic fallout. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our shares.

Risks relating to information provided with respect to acquisitions.

The disclosure documents of the Company contain from time to time disclosure regarding recently completed and proposed acquisitions and pro forma information after giving effect to such acquisitions that is based on information provided to the Company by the relevant sellers. Although the Company conducts what it believes to be a sufficient level of investigation in connection with acquisitions, an unavoidable level of risk remains regarding the accuracy and completeness of the information provided to the Company by the relevant sellers. The Company has not independently verified the accuracy or completeness of such information, and there may be events which may have occurred with respect to the acquired businesses or which may affect the completeness or accuracy of the information provided by the relevant sellers which are unknown to the Company.

It is often the case that separate audited financial statements historically have not been prepared for pharmacies included in the Company's acquisition funnel. Consequently, the historical financial information of pharmacies recently acquired or proposed to be acquired and the pro forma financial information included in the disclosure documents of the Company have been derived from the historical accounting records of these pharmacies and reflects certain significant assumptions, judgments and allocations made by each of the Company and the relevant sellers. The pro forma financial information contained in the disclosure documents of the Company is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the relevant acquisitions been completed at or as of the dates indicated, nor is it indicative of the future

operating results or financial position of the acquired pharmacies being operated as a part of the Company. Such unaudited pro forma financial information reflects assumptions and adjustments that are based upon preliminary estimates. These estimates may be revised as additional information becomes available and as additional analyses are performed. Accordingly, the final acquisition-related accounting adjustments may differ materially from the pro forma adjustments reflected therein.

Risks Relating to Our Securities

The market price of our Common Shares may be volatile and your investment could suffer or decline in value.

The market price of our Common Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of our Common Shares to fluctuate include: volatility in the market price and trading volume of comparable companies; actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts; adverse market reaction to any indebtedness we may incur or securities we may issue in the future; short sales, hedging and other derivative transactions in our Common Shares; litigation or regulatory action against us; breaches of security or privacy incidents, and the costs associated with any such breaches and remediation; investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements; publication of research reports or news stories about us, our competitors or our industry; positive or negative recommendations or withdrawal of research coverage by securities analysts; market risk due to inflation, changes in interest rates, exchange rates, geopolitical events, or recessions; changes in general political, economic, industry and market conditions and trends, including the spread of variants of the COVID-19 virus, or the military conflict between Russia and Ukraine and the market reaction thereto; sales of our Common Shares by existing shareholders; recruitment or departure of key personnel; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and the other risk factors described in this section of this AIF.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Common Shares by those institutions, which could materially adversely affect the trading price of our Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our Common Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Common Shares. Therefore, the price of our Common Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our

Common Shares regardless of our operating performance. Specifically, in recent periods, the stock market has experienced heightened volatility as a result of the COVID-19 pandemic and the spread of variants of the COVID-19 virus, the military conflict between Russia and the Ukraine and the market reaction thereto, and other factors. This volatility has had a negative impact on the market price of securities issued by many companies, including ours and other companies in our industry. There can be no assurance that fluctuations in price and volume will not continue or reoccur. If such increased levels of volatility and market turmoil continue or reoccur for a prolonged period, our operations and the trading price of our Common Shares may be materially adversely affected.

In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results and financial condition.

Dividends on the Common Shares are not guaranteed, and, consequently, investors may never receive a return on their investment.

It is the expectation of the Board to continue to declare quarterly cash dividends in the foreseeable future. The Company anticipates continuing paying an annualized cash dividend of \$0.18 per Common Share, consistent with past practice. However, the amount and timing of the payment of any future dividends are not guaranteed and are subject to the discretion of the Board. Any future determination to pay dividends on our securities will be at the discretion of the Board and will depend on, among other things, our results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. If dividends are not declared and paid in the future, our shareholders will not be able to receive a return on their Common Shares unless they sell such Common Shares for a price greater than their acquisition price, and such appreciation may never occur. See "Dividend Policy".

Future sales, or the perception of future sales, of Common Shares by existing shareholders or by us, or future dilutive issuances of Common Shares by us, could adversely affect prevailing market prices for the Common Shares.

Our Articles permit us to issue an unlimited number of Common Shares. We anticipate that we will, from time to time, issue additional Common Shares or other securities convertible or exercisable for Common Shares, including pursuant to the exercise of stock options, and the settlement of share units. Subject to the requirements of the TSX, we are not required to obtain the approval of shareholders for the issuance of additional Common Shares or other securities convertible or exercisable for Common Shares.

Subject to compliance with applicable securities laws, sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that

the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of our Common Shares.

In addition, certain holders of options to purchase Common Shares will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of such options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market, and reduced long-term holdings of Common Shares by our management and employees.

We cannot predict the effect, if any, that future public sales of these securities for sale will have on the market price of our Common Shares. If the market price of our Common Shares were to drop as a result, this might impede our ability to raise additional capital and might cause remaining shareholders to lose all or part of their investment. Certain of the shareholders have rights under the Investor Rights Agreement to require us to file a prospectus covering their securities or to include some of their securities in prospectuses that may be filed in connection with certain offerings, subject to certain underwriter's cutback rights.

In the case of nonpayment at maturity or another event of default, the lenders may, in addition to other remedies, exercise their rights under separate equity loans (the **"Equity Loans"**) provided by bank lenders to affiliates of PCP (the **"Equity Loan Borrowers"**) to transfer or take beneficial ownership of and sell or cause the sale of the Common Shares pledged by these entities under such Equity Loans. In connection with the Equity Loans, the Equity Loan Borrowers have assigned their registration rights under the Investor Rights Agreement to the lenders under the equity loans in certain situations including in connection with a transfer of Common Shares to the lenders in connection with any realization of a pledge of such Common Shares by the lenders. Any such enforcement by a lender under these equity loans could result in the creation of new insiders or control persons of the Company. If Common Shares are sold by or on behalf of the lenders, such sales could cause our share price to decline.

If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline.

The trading market for our Common Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Common Shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Common Shares could decrease, which could cause our trading price and volume to decline.

Shareholders have limited control over our Company's operations.

As at the date of this AIF, PCP beneficially owns approximately 50.3% of the issued and outstanding Common Shares. The outstanding Common Shares beneficially owned, or over which PCP exercises control or direction as at the date of this AIF, have been pledged as collateral to secure obligations under the Equity Loans. Further, PCP is entitled to certain

director nomination rights under the Investor Rights Agreement. Accordingly, PCP will retain significant influence with respect to all matters submitted to the Company's shareholders for approval, including without limitation the election and removal of directors, amendments to the constating documents of the Company and the approval of certain material transactions, and in considering such matters its interests may not always align with the interests of our other shareholders. The foregoing may cause the market price of the Common Shares to decline, delay or prevent any acquisition or delay or discourage take-over attempts that shareholders may consider to be favorable, or make it more difficult or impossible for a third-party to acquire control of the Company or effect a change in the Board and management. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which our shareholders could receive a substantial premium over the then current market price for their Common Shares.

Our Audit Committee is responsible for reviewing all related party transactions for potential conflict of interest situations and approving all such transactions. Our Audit Committee consists of directors who are independent as required by applicable Canadian securities regulation and the TSX Company Manual. In addition, our code of ethics and business conduct contains provisions designed to address conflicts of interest. However, such provisions may not be effective in limiting PCP's influence over us.

Conversely, our other holders of Common Shares may generally have limited control over changes in our policies and operations. In addition, the Board has the authority to determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of the holders of Common Shares. Holders of Common Shares only have a right to vote in the limited circumstances described under the heading "Description of Share Capital—Authorized Share Capital—Common Shares" in this AIF. The Board's broad discretion in setting policies and the limited ability of holders of Common Shares to exert control over those policies increases the uncertainty and risk of an investment in us.

We are required to develop and maintain proper and effective internal controls over financial reporting, and we may not complete our analysis of our internal controls over financing reporting in a timely manner, or these internal controls may not be effective.

We are subject to reporting and other obligations under applicable Canadian securities laws, including NI 52-109, and the rules of the TSX. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. In order to meet such requirements, we have, among other things, established systems, implemented financial and management controls, reporting systems and procedures, and may be required to do so in the future. However, if we are unable to accomplish any necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in our

reported financial information and result in a reduction in the market price of our Common Shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

We may issue additional Common Shares and such issuance will result in immediate dilution to existing shareholders.

Our Articles permit us to issue an unlimited number of Common Shares. We anticipate that we will, from time to time, issue additional Common Shares or other securities convertible or exercisable for Common Shares, including pursuant to the exercise of stock options, and the settlement of deferred share units, performance share units and restricted share units. Subject to the requirements of the TSX, we will not be required to obtain the approval of shareholders for the issuance of additional Common Shares or other securities convertible or exercisable for Common Shares. Any further issuances of Common Shares or other securities convertible or exercisable for Common Shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings. Furthermore, issuances of a substantial number of additional Common Shares or other securities convertible or exercisable for Common Shares, or the perception that such issuances could occur, may adversely affect the prevailing market price for the Common Shares.

Any issuance of Preferred Shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Common Shares, which could depress the price of our Common Shares.

Our Articles authorize our Board to issue an unlimited number of Preferred Shares without shareholder approval and to determine the rights, privileges, restrictions and conditions granted to or imposed on any unissued series of Preferred Shares. Those rights may be superior to those of our Common Shares. For example, Preferred Shares may rank prior to Common Shares as to dividend rights, liquidation preferences or both, may have full or limited voting rights and may be convertible into Common Shares. Additionally, any further issuance of Preferred Shares may significantly lessen the combined voting power of our Common Shares. Issuances of Preferred Shares, or the perception that such issuances may occur, may delay or prevent a change in

control of us or make the removal of management more difficult, discourage bids for our Common Shares at a premium over the market price and adversely affect the market price and other rights of the holders of our Common Shares.

Our by-laws provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to our internal affairs will be required to be litigated in the Province of Ontario, which could limit your ability to obtain a favorable judicial forum for disputes with us.

We have adopted a forum selection by-law that provides that, unless we consent in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Ontario, Canada and appellate courts therefrom (or, failing such court, any other “court” as defined in the CBCA having jurisdiction, and the appellate Courts therefrom), will be the sole and exclusive forum for: any derivative action or proceeding brought on our behalf; any action or proceeding asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us; any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our Articles or by-laws; or any action or proceeding asserting a claim otherwise related to our “affairs” (as defined in the CBCA). Our forum selection by-law also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign (non-Canadian) action initiated in violation of our by-law. Therefore, it may not be possible for securityholders to litigate any action relating to the foregoing matters outside of the Province of Ontario.

Our forum selection by-law seeks to reduce litigation costs and increase outcome predictability by requiring derivative actions and other matters relating to our affairs to be litigated in a single forum. While forum selection clauses in corporate charters and by-laws are becoming more commonplace for public companies in the United States and have been upheld by courts in certain states, they are untested in Canada. It is possible that the validity of our forum selection by-law could be challenged and that a court could rule that such by-law is inapplicable or unenforceable. If a court were to find our forum selection by-law inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

Risks associated with violation of law, breach of the Company’s policies or unethical behaviour by its employees.

The Company is committed to ethical business practices, and maintenance of the Company’s reputation for honesty and integrity is the cornerstone of this business philosophy. To that end, the Company has established policies and practices to ensure that employees and directors uphold the highest standards of ethical behaviour, including the Company’s Code of Ethics. Individuals who breach the Code of Ethics may be subject to disciplinary action, including dismissal. The Board monitors compliance with the Code by, among other things, obtaining reports from the Chair of the Audit Committee, and reviews and approves changes to the Code of Ethics it considers appropriate, at least annually. Any violation of law, breach of Company policies, including the Company’s Code of Ethics, or unethical behaviour could significantly affect

the Company's reputation and ability to operate, which could have an adverse impact on the Company's business and financial performance.

Risks related to the Company's holding company structure in the event of an insolvency, liquidation or reorganization of any of the subsidiaries of the Company.

The Company is a holding company, and essentially all of its assets are the capital stock of Neighbourly Pharmacy Operations Inc. and its indirect subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its sales. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Neighbourly. The ability of these entities to pay dividends and other distributions depends on their operating results and is subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Provisions of Canadian law may delay, prevent or make undesirable an acquisition of all or a significant portion of the Company's shares or assets.

A non-Canadian must file an application for review with the Minister responsible for the *Investment Canada Act* (Canada) and obtain approval of the Minister prior to acquiring control of a "Canadian business" within the meaning of the *Investment Canada Act* (Canada), where prescribed financial thresholds are exceeded. Furthermore, limitations on the ability to acquire and hold the Common Shares may be imposed by the *Competition Act* (Canada). This law permits the Commissioner of Competition, or Commissioner, to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in the Company. Further, we are subject to the limitations imposed under the laws of Canada applicable to all businesses. Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to the Company's shareholders.

DIVIDEND POLICY

The Company's dividend policy is at the discretion of the Board and may vary depending on many factors, including, among others, our results of operations, financial condition, available cash flow and current and anticipated cash requirements, business growth opportunities and contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that the Board may deem relevant. Subject to such factors, it is the expectation of the Board to continue declaring quarterly cash dividends in the foreseeable future.

Since May 25, 2021, the date of the Company's IPO, the Company declared the following dividends:

<u>Date of Declaration</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Dividend Declared (Per Common Share)</u>
June 24, 2021	August 17, 2021	September 7, 2021	\$0.013
August 3, 2021	September 14, 2021	October 12, 2021	\$0.045
October 26, 2021	November 23, 2021	December 21, 2021	\$0.045
February 15, 2022	March 15, 2022	April 12, 2022	\$0.045
June 23, 2022	July 21, 2022	August 18, 2022	\$0.045
August 2, 2022	August 30, 2022	September 27, 2022	\$0.045
October 25, 2022	November 22, 2022	December 20, 2022	\$0.045
February 14, 2023	March 14, 2023	April 11, 2023	\$0.045
June 8, 2023	July 6, 2023	August 3, 2023	\$0.045

While the Company anticipates continuing paying quarterly cash dividends with annualized aggregate dividend payments of \$0.18 per Common Share, the payment of each quarterly dividend remains subject to the declaration of that dividend by the Board. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date are subject to the discretion of the Board. See "Risk Factors – Risks Relating to Our Securities – Dividends on the Common Shares are not guaranteed, and, consequently, investors may never receive a return on their investment".

DESCRIPTION OF SHARE CAPITAL

*The following description of our share capital summarizes certain provisions contained in our restated articles of incorporation (the "**Articles**"). These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of our Articles.*

Authorized Share Capital

Our authorized share capital consists of (i) an unlimited number of Common Shares, of which 44,640,551 were issued and outstanding as of June 7, 2023 and (ii) an unlimited number of Preferred Shares, issuable in series, none of which were outstanding as of June 7, 2023.

Common Shares

The holders of Common Shares are entitled to one vote in respect of each Common Share held at all meetings of holders of shares, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of Common Shares are entitled to receive any dividend declared by the Company in respect of the Common Shares, subject to the rights of the holders of other classes of shares ranking in priority to the

Common Shares. The holders of Common Shares are entitled to receive, subject to the rights of the holders of other classes of shares, the remaining property and assets of the Company available for distribution, after payment of liabilities, upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

Preferred Shares

The preferred shares will be issuable at any time and from time to time in one or more series. The Board will be authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the preferred shares of each series, which may include voting rights, the whole subject to the issue of a certificate of amendment setting forth the designation and provisions attaching to the preferred shares or shares of the series. The preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank on parity with the preferred shares of every other series and will be entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares with respect to payment of dividends and distribution of any property or assets in the event of the Company's liquidation, dissolution or winding-up, whether voluntary or involuntary. If any cumulative dividends (whether or not declared), non-cumulative dividends declared or amounts payable on a return of capital are not paid in full, the preferred shares of all series will participate ratably in accordance with the amounts that would be payable on such preferred shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital were paid in full, as the case may be. We currently anticipate that the preferred shares will not carry any pre-emptive, redemption, conversion, exchange or retraction rights, nor will they contain any purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions, or provisions requiring a securityholder to contribute additional capital.

MARKET FOR SECURITIES

Trading Price and Volume

Our Common Shares are listed on the TSX under the symbol "NBLY" since May 25, 2021.

The following table shows the monthly range of high and low prices per Common Share at the close of market on the TSX, as well as total monthly volumes of the Common Shares traded on the TSX from March 28, 2022 to March 24, 2023, the first and last full trading day of Fiscal 2023 respectively.

<u>Month</u>	<u>High (in C\$)</u>	<u>Low (in C\$)</u>	<u>Monthly Volume</u>
March 28 – 31, 2022	29.25	29.14	130,010
April 2022	29.19	24.25	11,117
May 2022	27.19	23.90	694,680
June 2022	26.85	21.50	942,960
July 2022	25.00	22.55	668,419
August 2022	21.84	19.25	1,250,797

September 2022	21.00	19.22	729,278
October 2022	23.21	19.13	523,561
November 2022	25.19	22.92	551,994
December 2022	25.04	22.44	581,984
January 2023	24.97	19.64	1,323,932
February 2023	24.77	20.90	1,479,720
March 1 – 24, 2023	24.50	21.40	473,879

On March 24, 2023, the last full trading day of Fiscal 2023, the closing price of the Common Shares on the TSX was \$21.92 per Common Share.

DIRECTORS AND EXECUTIVE OFFICERS

The following tables set out, for each of our directors and executive officers, the person's name, province or state and country of residence, age, position with us, principal occupation and, if a director, the date on which the person became a director. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of shareholders. Executive officers are appointed by the Board to serve, subject to the discretion of the Board, until their successors are appointed. Additional biographical information for each individual is provided below. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 70,519 Common Shares, representing approximately 0.2% of the issued and outstanding Common Shares as at March 25, 2023.

Common Shares beneficially owned or controlled by directors and executive officers do not include Common Shares held by PCP or any PCP-related entity (collectively, the "**PCP Entities**"). Stuart M. Elman is the Managing Partner of PCP, is the sole shareholder of PCP GP Inc. and is one of the members of the board of directors which manages PCP GP Inc. As such, while Mr. Elman may be deemed to have shared control or direction over the Common Shares held by the PCP Entities and is a significant investor in each of the PCP Entities, he disclaims beneficial ownership of any such Common Shares.

Directors

Name and Province or State and Country of Residence	Age	Position(s) / Title	Director Since	Principal Occupation (Last Five Years)
Skip Bourdo Illinois, USA	46	Director and Chief Executive Officer	2023	Chief Executive Officer of Neighbourly; Chief Operating Officer of Athletico Physical Therapy; Group Vice-President Pharmacy & Retail Field Operations – Western United States & Offshore Ops of Walgreens Boots Alliance
Stuart M. Elman ⁽²⁾⁽³⁾⁽⁴⁾ Québec, Canada	46	Director and Chair of the Board	2019	Managing Partner and Co-Founder of Persistence Capital Partners
Josh Blair ⁽²⁾⁽³⁾⁽⁵⁾ British Columbia, Canada	50	Director	2021	Partner at Esplanade Ventures; Co-Founder and CEO of Impro.AI; Chairman of TELUS International (Cda) Inc.
Dean McCann ⁽¹⁾⁽³⁾⁽⁶⁾ Ontario, Canada	64	Director	2021	Executive Vice President and Chief Financial Officer of Canadian Tire Corporation
Robert O'Meara ⁽¹⁾⁽³⁾ Illinois, USA	64	Director	2021	Partner at A. T. Kearney
Valerie Sorbie ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	60	Director	2021	Managing Partner at Gibraltar Ventures; Member of the Office of the President at LXRandCo
Lisa Greatrix ⁽³⁾ Ontario, Canada	62	Director	2021	Senior Vice-President, Finance and Investor Relations at Canadian Tire Corporation

(1) Member of the Audit Committee.

(2) Member of the NGC Committee.

(3) Independent director for the purposes of NI 58-101.

(4) The Board has determined that there was no relationship between the Company, PCP and Mr. Elman which could, in the view of the Board, reasonably be expected to interfere with the exercise of Mr. Elman's independent judgement. Mr. Elman's independence will be reassessed by the Board from time to time as Mr. Elman's and PCP's relationships with the Company evolve over time.

(5) Chair of the NGC Committee.

(6) Chair of the Audit Committee.

Executive Officers

Name and Province or State and Country of Residence	Age	Position(s) with the Company	Time with Neighbourly (Approx.)	Years of Relevant Experience
Skip Bourdo Illinois, USA	46	Chief Executive Officer	5 months	30 years
Billy Wong Ontario, Canada	42	Chief Financial Officer	1 year	19 years
Jari Villanen Ontario, Canada	53	Senior Vice President, Operations	3 years	30 years
Steve Losty Ontario, Canada	49	Chief Development Officer	6 years	27 years
Roy Wieschkowski Ontario, Canada	61	Senior Vice President, Human Resources	3 years	38 years
Zev Zelman Montréal, Québec	47	Corporate Secretary	1 year	15 years

Biographical Information Regarding the Directors and Executive Officers

Non-Executive Directors

Stuart M. Elman, Director and Chair of the Board

Stuart M. Elman has served as a member of our Board since 2019. Mr. Elman is the Managing Partner of Persistence Capital Partners, a leading private equity fund focused exclusively on investing in high-growth opportunities in Canadian healthcare, which he co-founded in 2008. He has actively participated in Canadian healthcare and private equity transactions for the last 24 years and has served as a director of several Persistence Capital Partners portfolio companies.

Prior to co-founding Persistence Capital Partners, Mr. Elman worked for nearly 10 years at Medisys Health Group, at the time one of Canada's leading providers of preventative health services, initially as CFO, and later as President. Mr. Elman earned an Honours in Business Administration with distinction from the Richard Ivey School of Business at the University of Western Ontario in London, Ontario.

Josh Blair, Director

Josh Blair is a Co-Founder and the CEO of Impro.AI, a high-tech company whose platform enables companies to accelerate their growth through strategic management insights as well as the growth of their employees through daily micro-coaching. He also serves as Chairman of Straive, a global EdTech and digital solutions leader, which is owned by EQT. Additionally, Mr. Blair serves as Vice-Chairman of TELUS International (Cda) Inc. (NYSE & TSX: TIXT), which designs, builds and delivers next-generation digital solutions to enhance the customer experience for global and disruptive brands. He is also a Partner at Esplanade Ventures, a venture capital firm focused on the health technology market. From 1995 through 2019, Mr. Blair served in increasingly senior leadership roles at TELUS Corporation, including as Group President from 2014 to 2019 overseeing TELUS International, TELUS Health, TELUS Business, TELUS Agriculture and TELUS Ventures. Mr. Blair holds a Bachelor degree in Electrical

Engineering from the University of Victoria and also completed the Executive Program at the Smith School of Business at Queen's University.

Dean McCann, Director

Dean McCann retired from Canadian Tire Corporation (TSX: CTC.A; CTC) after a 24-year career that included serving as Executive Vice President and Chief Financial Officer of Canadian Tire Corporation, and as President and CEO of Canadian Tire Financial Services and Canadian Tire Bank. Mr. McCann continues to serve on two Canadian Tire Corporation subsidiary boards: CT REIT (TSX:CRT.UN), a publicly-traded real estate investment trust, and Canadian Tire Bank, which is regulated by the Office of the Superintendent of Financial Institutions (OSFI). He also serves as a Director and Chairman of Walker Industries, a fifth-generation family-owned company headquartered in the Niagara Region, Director of GayLea Foods Cooperative, and is a member of the boards of Big Brothers Big Sisters of Toronto and Queen's University. Mr. McCann is a past recipient of Canada's CFO of the Year Award. Mr. McCann is a Chartered Professional Accountant and a graduate of the Directors College, Chartered Director program at McMaster University.

Robert O'Meara, Director

Robert (Bob) O'Meara has over 30 years of international operational and consulting experience within the retail and healthcare industries. Mr. O'Meara served as a strategic advisor to senior leaders at North America's largest pharmacy chains on growth strategy, mergers & integrations, and operational improvement. During Mr. O'Meara's 30-year career with Kearney, a global management consulting firm, he led the North American Retail Healthcare Sector with responsibilities for retail pharmacies, specialty pharmacies, mail order and distributor clients. Prior to consulting, Mr. O'Meara worked in the medical products industry with Schering Corporation and Baxter International. Mr. O'Meara has served on the board of the Shelter Inc., an Illinois based non-profit organization. Mr. O'Meara holds a Bachelor's and a Master's degree in Mechanical Engineering from the University of Illinois, and an MBA from the Kellogg School of Business at Northwestern University.

Valerie Sorbie, Director

Valerie (Val) Sorbie is currently Board Chair and a member of the Office of the President at LXRandCo (TSX: LXR) and Managing Director at Gibraltar Ventures, a consumer and retail focused venture capital fund. In February 2022, she was also elected to the board of directors of Calian Group Ltd. (TSX:CGY), an Ottawa-based advanced tech manufacturing and business solutions company. Ms. Sorbie focuses on board, leadership and strategic advisory roles, bringing over 30 years of experience in strategy and operations. She is or has been a member of several other boards, including: Harvard Kennedy School Woman's Leadership Board; Tilley; Steam Whistle Brewery; Bishop Strachan School (Chair); TKEES; Kahuso (Chair); and Black Business and Professionals Association. Prior to her role at Gibraltar Ventures, Ms. Sorbie was Chief Administrative Officer, BMO Capital Markets and Senior Vice President, Office of Strategic Management, BMO Financial Group. Prior to BMO, Ms. Sorbie's experience includes Chief Operating Officer of several software companies, both public and private, in the US, UK, Canada and Israel, and she was also a Strategy Consultant at Kearney and Omega Strategy Partners (UK).

Ms. Sorbie holds an MBA from the Ivey School of Business, Canada, a Premier Diploma from the University of Grenoble, France and an Honours BA from the University of Western Ontario, Canada, in Anthropology and Biology.

Lisa Greatrix, Director

Lisa Greatrix is a seasoned Finance and Investor Relations Executive and Board member with extensive experience in managing diverse groups and initiatives in multiple disciplines including finance, customer support and operations. Currently retired, Lisa previously held the role of Senior Vice-President, Finance and Investor Relations at Canadian Tire Corporation (TSX: CTC.A; CTC), where Lisa and her team directly supported CTC's Board of Directors, CFO and CEO. In this role, Lisa oversaw investor relations strategies and programs and also managed relationships with the investor and analyst communities. Lisa's IR team was recognized with two IR Magazine Awards for Best in Sector. Lisa joined Canadian Tire in 2007 as Vice-President, Corporate Financial Planning and Analysis. During this time, she acted as a trusted advisor to senior management, supported the creation of CT REIT and played a key role in creating a sustainable financial framework. Throughout her career at CTC, she has set strategies and inspired change that has made CTC home to some of the best practices in financial planning and analysis, and investor relations. Prior to joining Canadian Tire, Lisa held senior positions at MDS, Research in Motion and Xerox Canada. Lisa is a Chartered Accountant and Chartered Professional Accountant and holds a Bachelor of Business Administration from York University. She has also completed the Queen's University Executive Program. Lisa currently serves as a National Board member and Audit Committee Chair for the Canadian Investor Relations Institute (CIRI).

Executive Officers Who Also Serve as Directors

Skip Bourdo, Director and Chief Executive Officer

Skip Bourdo is the CEO of Neighbourly, having joined the Company in 2023. Skip Bourdo is an accomplished pharmacy and healthcare executive with 30 years of industry experience. Mr. Bourdo had a successful 27-year career at Walgreens, one of North America's largest pharmacy chains, starting as a cashier, then store manager, and growing in positions of ever-increasing responsibility, including integration and business transformation roles, and culminating as Group Vice President, Pharmacy and Retail Field Operations for Walgreen's Western operations, where he oversaw a network covering 4,700 retail, health system and specialty pharmacy locations, generating over \$46 billion in revenue, and employing over 120,000 team members in 29 U.S. states, Puerto Rico and the U.S. Virgin Islands, serving nearly 4 million customers and patients every day.

More recently, Mr. Bourdo was Chief Operating Officer of Athletico Physical Therapy, a rapidly growing, leading provider of orthopedic rehabilitation services across the United States. During his tenure at Athletico, Mr. Bourdo was responsible for bringing operational excellence, structure, and scale capabilities to Athletico's clinic operations, which almost doubled their retail footprint to 950+ locations over the course of two years.

Executive Officers Who Do Not Serve as Directors

Billy Wong, Chief Financial Officer

Billy Wong joined Neighbourly in 2022 as Chief Financial Officer. He is responsible for leading the Finance team's accountability for sound and ethical financial management and reporting, and more broadly the efficient and productive use of resources through direction of the Accounting, Treasury, Financial Planning and Reporting, and Analytics teams. As a CPA, CMA, Mr. Wong is a seasoned finance executive with more than 15 years in progressive roles of increased scope and responsibility in forecasting, planning, analysis, decision support and continuous improvement across various retail and consumer companies. Prior to him joining the Company, Mr. Wong held roles as Chief Financial Officer at Camuto Group, and Chief Financial Officer & Chief Operations Officer at Designer Brands Canada, both divisions of Designer Brands Inc. (NYSE:DBI). Prior to that, Mr. Wong was the Executive Vice President, CFO at Sears Canada.

Jari Villanen, Senior Vice President, Operations

Jari Villanen joined Neighbourly in 2019 as Vice President of National Operations. He is an experienced retail and healthcare executive, and he leads the Field Operations and Central Support Operations team with responsibility for Store Operations nationally, including regional field support, merchandising, loss prevention, store onboarding and new store openings. Mr. Villanen has over 20 years of experience with increasing levels of responsibility in Retail Operations, leading and empowering teams for a number of national retailers including Shoppers Drug Mart, where he was VP of Operations, Dentalcorp, where he was VP of Operations Western Canada, Loblaw and Hudson Bay Company. Mr. Villanen also has significant experience in vendor management and operational integration. He graduated from Laurentian University with an Honours Commerce Degree.

Steve Losty, Chief Development Officer

Steve Losty was among Neighbourly's first employees when he joined the Company in 2016 as Vice President, Corporate Development. He leads the Corporate Development team, with responsibility for the continued growth of the Company, including Business Development and acquisition sourcing, due diligence and valuation, negotiation of deal terms and agreements, and closing and integration. In addition, Mr. Losty and his team have responsibility for the management of the Company's leases and relationships with its numerous landlords. Prior to joining the Company, Mr. Losty worked for over 20 years in investment banking, most recently as Managing Director, Mergers & Acquisitions at CIBC Capital Markets in Toronto. He led numerous strategic and M&A advisory assignments, with a broad range of experience across a range of sectors, including retail and healthcare. Prior to CIBC, he held Investment Banking positions at leading Investment Banks in London, England and at RBC Capital Markets in Toronto. Mr. Losty graduated from Bishop's University with Honours, and holds a Bachelor of Business Administration degree, and was named to Bishop's "Top 10 after 10", a program designed to highlight the achievements of Bishop's alumni who graduated within the last 10 to 20 years.

Roy Wieschkowski, Senior Vice President, Human Resources

Roy Wieschkowski has led the Human Resources function at Neighbourly since he joined the organization in 2019. Ensuring a high performing culture and providing value added people practices, he and his team continue to evolve the Human Resources infrastructure to support the ongoing growth of the organization in the areas of talent acquisition, training and development, compensation and benefits, wellness, safety and employee relations. Mr. Wieschkowski's team has responsibility for employee engagement and the initiation of programs and policies to achieve a better employee experience. In addition, Mr. Wieschkowski and his team are responsible for ensuring the organization remains compliant with various employment, safety and labour legislation in each provincial jurisdiction. Prior to joining the Company, Mr. Wieschkowski has spent over 30 years in human resources at various retail and consumer packaged goods (CPG) companies including Shoppers Drug Mart, Cascades and ICI Paints. He further spent 10 years at Patheon Inc, a publicly traded contract pharmaceutical manufacturer, where he led the global Human Resources function during a period of high growth and commercialization. He has led HR teams during acquisitions at both Shoppers Drug Mart and Patheon Inc. and been involved in pre-closing and post-closing integration activities harmonizing the employee value proposition. Mr. Wieschkowski graduated from Wilfrid Laurier University with an Honours Bachelor of Business Administration degree and is a Certified Human Resources Professional (CHRP). As part of the Human Resources Professional Association of Ontario Mentorship program, he mentors aspiring future HR leaders.

Zev Zelman, Corporate Secretary

Mr. Zelman is General Counsel of Persistence Capital Partners and has over 15 years of experience as a corporate and business lawyer. Prior to joining Persistence Capital Partners, Mr. Zelman practiced and specialized in the areas of corporate and securities law and mergers and acquisitions with Stikeman Elliott LLP. In his capacity as General Counsel, Mr. Zelman is responsible for the overall legal affairs for Persistence Capital Partners and its portfolio companies, which includes day-to-day general corporate and commercial matters, governance and compliance, acquisitions and divestitures and debt and equity financings. Mr. Zelman is also actively involved in board and committee functions of Persistence Capital Partners and its portfolio companies.

Corporate Cease Trade Orders and Bankruptcies

Other than as set out below, to our knowledge, none of our directors or executive officers or shareholder holding a sufficient number of securities in Neighbourly to materially affect the control of Neighbourly is, as at the date hereof, or has been, within the 10 years prior to the date hereof: (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal

under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Billy Wong, our Chief Financial Officer, served as the Chief Financial Officer of Sears Canada Inc. from July 2016 to April 2018. Sears Canada Inc. and a number of its operating subsidiaries filed for bankruptcy protection under the *Companies’ Creditors Arrangement Act* (Canada) on June 22, 2017.

Individual Bankruptcies

To our knowledge, none of our directors or executive officers or shareholder holding a sufficient number of securities in Neighbourly to materially affect the control of Neighbourly has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold assets of that individual.

Penalties or Sanctions

To our knowledge, none of our directors, executive officers or shareholders holding a sufficient number of securities in Neighbourly to materially affect the control of Neighbourly has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

To our knowledge, there are no known existing or potential conflicts of interest between us and our directors and executive officers, except that certain of our directors and officers also serve as directors or officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies.

Insurance and Indemnification

Our and our subsidiaries’ directors and officers are covered under our existing directors’ and officers’ liability insurance. Under this insurance coverage, we and our subsidiaries will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our and our subsidiaries’ directors and officers, subject to a deductible for each loss, which will be paid by us. Our and our subsidiaries’ individual directors and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us or our subsidiaries. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

The Company has also entered into indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors or officers, provided that the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that their conduct was unlawful. The indemnification agreements also provide for the advancement of defense expenses to the indemnitees by the Company.

AGREEMENTS WITH PRINCIPAL SHAREHOLDERS

Investor Rights Agreement

Upon closing of the IPO, the Company entered into an investor rights agreement (the "**Investor Rights Agreement**") dated May 25, 2021 with PCP with respect to certain director nomination rights and shareholder rights.

The following is a summary of the material attributes and characteristics of the Investor Rights Agreement. This summary is qualified in its entirety by reference to the provisions of that agreement, which contains a complete statement of those attributes and characteristics. The Investor Rights Agreement has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com under the Company's profile.

Nomination Rights

The Investor Rights Agreement provides that PCP shall be entitled to nominate:

- 50% of our directors (rounding up to the nearest whole number) for so long as it beneficially owns or controls, directly or indirectly, at least 50% of the issued and outstanding Common Shares (on a non-diluted basis);
- 40% of our directors (rounding up to the nearest whole number) for so long as it beneficially owns or controls, directly or indirectly, at least 40% and less than 50% of the issued and outstanding Common Shares (on a non-diluted basis);
- 30% of our directors (rounding up to the nearest whole number) for so long as it beneficially owns or controls, directly or indirectly, at least 30% and less than 40% of the issued and outstanding Common Shares (on a non-diluted basis);
- 20% of our directors (rounding up to the nearest whole number) for so long as it beneficially owns or controls, directly or indirectly, at least 20% and less than 30% of the issued and outstanding Common Shares (on a non-diluted basis);
- 10% of our directors (rounding up to the nearest whole number) for so long as it beneficially owns or controls, directly or indirectly, at least 10% and less than 20% of the issued and outstanding Common Shares (on a non-diluted basis); and
- 5% of our directors (rounding up to the nearest whole number) for so long as it beneficially owns or controls, directly or indirectly, at least 5% and less than 10% of the issued and outstanding Common Shares (on a non-diluted basis).

The Investor Rights Agreement also provides that: (i) PCP agrees to nominate the Chief Executive Officer of the Company to the Board, which such seat on the Board to be held by the Chief Executive Officer of the Company shall not represent one of the director nominees of PCP; and (ii) that the number of directors cannot be increased over seven (7) members or decreased (and the number of independent directors on the Board cannot be decreased) without the prior consent of PCP.

Further, for so long as PCP beneficially owns or controls, directly or indirectly, at least 20% of the issued and outstanding Common Shares (on a non-diluted basis), the Chair of the Board shall be Mr. Stuart M. Elman or such other individual nominated by PCP. PCP shall also be entitled to select the chair of each of the NGC Committee and the M&A Committee, for so long as PCP beneficially owns or controls, directly or indirectly, at least 20% of the issued and outstanding Common Shares (on a non-diluted basis).

Pre-emptive Rights

The Investor Rights Agreements will provide that PCP, for so long as it beneficially owns or controls, directly or indirectly, at least 10% of the issued and outstanding Common Shares (on a non-diluted basis), will have pre-emptive rights to allow it to maintain its minimum director nomination threshold, subject to customary exceptions.

Registration Rights

The Investor Rights Agreement will provide for demand registration rights in favour of PCP that will enable it, under certain circumstances, to require the Company to qualify by prospectus in Canada all or any portion of the Common Shares held by it for a distribution to the public, provided that the Company will not be obliged to effect (i) more than two demand registrations in any 12-month period or (ii) any demand registration where the value of the Common Shares offered under such demand registration is less than \$25 million. The Investor Rights Agreement will also provide for incidental registration rights allowing PCP to include its Common Shares in certain public offerings of Common Shares, subject to certain customary underwriters' cutback rights.

The Company shall not, without the prior written consent of PCP, for so long as PCP beneficially owns or controls, directly or indirectly, at least 10% of the Common Shares (on a non-diluted basis), grant any registration rights to any person unless such rights are subordinated to the registration rights granted to PCP under the Investor Rights Agreement and are on terms reasonably satisfactory to PCP.

All costs and expenses associated with any demand registration will be borne by us other than underwriting discounts, commissions and transfer taxes, if any, attributable to the sale of the Common Shares the applicable selling PCP entity. We will also be required to provide indemnification and contribution for the benefit of PCP and its affiliates and representatives in connection with any demand registration.

In connection with the Equity Loans, the Equity Loan Borrowers have assigned their registration rights under the Investor Rights Agreement to the lenders under the Equity Loans in certain situations including in connection with a transfer of Common Shares to the lenders in connection with any realization of a pledge of such Common Shares by the lenders.

AUDIT COMMITTEE

Audit Committee Charter

The Board of Directors has adopted a written charter, the text of which is reproduced in its entirety in “Exhibit A” hereto, setting forth the purpose, composition, authority and responsibility of the Audit Committee, consistent with NI 52-110. The charter of the Audit Committee is also available on the Company's investor relations website at investors.neighbourlypharmacy.ca. The Audit Committee assists the Board of Directors in fulfilling its oversight of, among other things:

- the quality and integrity of the Company's financial statements and related information;
- the qualifications, independence, appointment and performance of the external auditor;
- the accounting and financial reporting policies, practices and procedures of the Company and its subsidiaries and affiliates;
- the Company's risk management practices and legal and regulatory compliance;
- management's design, implementation and effective conduct of internal controls over financial reporting and disclosure controls and procedures;
- the performance of the Company's internal audit function, if applicable; and
- preparation of disclosures and reports required to be prepared by the Audit Committee by any law, regulation, rule or listing standard.

It is the responsibility of the Audit Committee to maintain free and open means of communication between the Audit Committee, the external auditor and the management of the Company. The Audit Committee is given full access to the Company's management and records and external auditor as necessary to carry out these responsibilities. The Audit Committee has the authority to carry out such special investigations as it sees fit in respect of any matters within its various roles and responsibilities. The Company shall provide appropriate funding, as determined by the Audit Committee, for the payment of compensation to the external auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

Composition of the Audit Committee

The Audit Committee currently consists of Mr. Dean McCann, who is acting as chair of this committee, Mr. Robert O'Meara and Ms. Valerie Sorbie.

It is the Board's determination that each of the members of the Audit Committee is financially literate within the meaning of NI 52-110. A director is “financially literate” within the meaning of NI 52-110 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 Neighbourly's financial statements.

Additionally, it is the Board's determination that each of the members of the Audit Committee is independent within the meaning of NI 52-110.

Relevant Education and Experience

Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

For additional details regarding the relevant education and experience of each member of the Audit Committee, refer to the biography of each such member under the heading "Directors and Executive Officers - Biographical Information Regarding the Directors and Executive Officers" of this AIF.

Pre-Approval Procedures for Non-Audit Services

The Audit Committee is responsible for the pre-approval of all non-audit services to be provided to Neighbourly or its subsidiary entities by its independent auditor, together with approval of the engagement letter for such non-audit services and estimated fees thereof. At least annually, the Audit Committee shall review and confirm the independence of the independent auditor by obtaining statements from the independent auditor describing all relationships with Neighbourly, including with respect to any non-audit services.

Independent Auditor's Fees

For Fiscal 2023 and Fiscal 2022, the Company was billed the following fees by its independent auditors, Ernst & Young LLP:

<u>Services Retained</u>	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>
Audit fees ⁽¹⁾	\$1,075,600	\$798,001
Audit-related fees ⁽²⁾	\$47,100	\$41,500
Tax fees ⁽³⁾	\$430,275	\$527,005
All other fees ⁽⁴⁾	\$15,000	\$255,000
Total	\$1,567,975	\$1,621,506

(1) Fees for audit service on a billed basis.

(2) Fees for assurance and related services not included in audit service above. These fees include services performed in connection document translations.

(3) Fees for tax compliance, tax advice and tax planning.

(4) All other fees not included above, including fees related to consent letters.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that, other than the proceedings described in the next paragraphs, none of the litigation in which we are currently involved, or have been involved since the beginning of our most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition, cash flows or results of operations.

On May 7, 2019, Mr. Brian Dawson filed an Application in the Ontario Superior Court of Justice against the Company and certain of its then directors and shareholders, including entities affiliated with Persistence Capital Partners, claiming wrongful termination and oppression. Mr. Dawson was previously a director and the Chief Executive Officer of the Company. In connection with the claim, Mr. Dawson was seeking, among other things, approximately \$30 million in compensatory and punitive damages.

The claim commenced by Mr. Dawson has been resolved on an amicable basis in early April, 2022. Neighbourly appreciates the significant contribution made by Mr. Dawson as the founder of the Company and during his tenure as Chief Executive Officer. As part of terms of the settlement, the parties have withdrawn all allegations made by each against the other, including the allegation by the Company that the termination of Mr. Dawson on February 8, 2019 as Chief Executive Officer was for cause, and the allegation by Mr. Dawson that he was oppressed. In accordance with the terms of the settlement, the Company cancelled 228,902 of the 459,235 Common Shares held and controlled by Mr. Dawson. The remaining 230,333 Common Shares will be unrestricted and fully tradeable on the TSX.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of Neighbourly, and to the knowledge of the directors and executive officers of Neighbourly, (i) no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class of Neighbourly's voting shares, (ii) nor any of such persons' or companies' associates or affiliates, (iii) nor any associates or affiliates of any director or executive officer of Neighbourly, has had a material interest, direct or indirect, that has materially affected or is reasonably expected to materially affect the Company within the three most recently completed financial years or during the current financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our Common Shares is Computershare Investor Services Inc. at its principal offices in Montréal, Québec and Toronto, Ontario.

MATERIAL CONTRACTS

This AIF includes a summary description of certain of our material agreements. The summary description discloses all attributes material to an investor in the Common Shares but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

The only material contracts, other than those contracts entered into in the ordinary course of business, which we have entered into since the beginning of Fiscal 2023, or entered into prior thereto, but which are still in effect and that are required to be filed with Canadian securities regulatory authorities in accordance with Section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations*, are (i) the Investor Rights Agreement and (ii) the Restated Credit Agreement.

See “Agreements with Principal Shareholders – Investor Rights Agreement” for a summary of the material terms of the Investor Rights Agreement, and “General Development of Neighbourly’s Business – Three-Year Business Development History – 2023 – Credit Agreement” for a summary of the material terms of the Restated Credit Agreement. Copies of each of the Investor Rights Agreement and the Restated Credit Agreement are available on SEDAR at www.sedar.com under the Company’s profile.

INTERESTS OF EXPERTS

Our independent registered public accounting firm, Ernst & Young LLP, reported on the consolidated financial statements for Fiscal 2023, which were filed with the securities regulatory authorities. Ernst & Young LLP has confirmed that it is independent with respect to the Company within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information about Neighbourly is available on our website at www.neighbourly.com and on SEDAR at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans is contained in our management information circular filed in connection with our most recent annual meeting of shareholders, available on our website at www.neighbourly.com and at www.sedar.com under the Company’s profile.

Additional financial information is provided in our audited consolidated financial statements and notes for Fiscal 2023 and in our Management’s Discussion and Analysis for Fiscal 2023, available on our website at www.neighbourlypharmacy.com and on SEDAR at www.sedar.com under the Company’s profile.

References to our website in this AIF do not incorporate by reference the information on such website into this AIF, and we disclaim any such incorporation by reference.

GLOSSARY OF TERMS

The following is a glossary of certain industry and other defined terms used in this AIF:

"AIF" has the meaning ascribed thereto under "Explanatory Notes";

"Articles" has the meaning ascribed thereto under "Description of Share Capital";

"Audit Committee" means the audit committee of the Board;

"Board" means the board of directors of the Company;

"CAGR" means compounded annual growth rate;

"CBCA" means the *Canada Business Corporations Act*, as amended from time to time;

"Common Shares" means the common shares in the capital of the Company;

"Concurrent Private Placement" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions";

"Company", "Neighbourly", "we", "us" or "our" has the meaning ascribed thereto under "Explanatory Notes";

"COVID-19" means the novel coronavirus disease caused by the SARS-CoV-2 virus, including its variants and mutants;

"Equity Loans" has the meaning ascribed thereto under "Risk Factors – Risks Relating to Our Securities – Future sales, or the perception of future sales, of Common Shares by existing shareholders or by us, or future dilutive issuances of Common Shares by us, could adversely affect prevailing market prices for the Common Shares";

"Equity Loan Borrowers" has the meaning ascribed thereto under "Risk Factors – Risks Relating to Our Securities – Future sales, or the perception of future sales, of Common Shares by existing shareholders or by us, or future dilutive issuances of Common Shares by us, could adversely affect prevailing market prices for the Common Shares";

"Fiscal 2021" means the 52-week period ended March 27, 2021;

"Fiscal 2022" means the 52-week period ended March 26, 2022;

"Fiscal 2023" means the 52-week period ended March 25, 2023;

"forward-looking information" has the meaning ascribed thereto under "Forward-Looking Information";

"IFRS" means the International Financial Reporting Standards;

"Investor Rights Agreement" has the meaning ascribed thereto under "Agreements with Principal Shareholders – Investor Rights Agreement";

"IPO" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions";

"IPO Subscription Price" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions";

"IQVIA" has the meaning ascribed thereto under "Market and Industry Data"; **"IT"** means information technology;

"McKesson" means McKesson Canada Corporation and its affiliates;

"MPGL" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Acquisitions";

"NGC Committee" means the nomination, governance, compensation and ESG committee of the Board;

"NI 52-109" means *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*;

"NI 52-110" means National Instrument 52-110 – *Audit Committees*, as amended from time to time;

"NI 58-101" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as amended from time to time;

"NPAC" has the meaning ascribed thereto under "Market and Industry Data";

"October Offering" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions";

"pCPA" means the pan-Canadian Pharmaceutical Alliance;

"PCP" means Persistence Capital Partners;

"PCP Entities" has the meaning ascribed thereto under "Directors and Executive Officers";

"PIPEDA" means the *Personal Information Protection and Electronic Documents Act* (Canada);

"Placement Subscription Receipts" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions";

"Preferred Shares" means the preferred shares, issuable in series, in the capital of the Company;

"Public Offering" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions";

"Qualified Pharmacies" means independent pharmacies that meet our investment criteria;

"Restated Credit Agreement" has the meaning ascribed thereto under "General Development of Neighbourly's Business – Three-Year Business Development History – Fiscal 2023 – Credit Agreement";

“Restated Credit Facilities” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2023 – Credit Agreement”;

“Restated Revolving Credit Facility” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2023 – Credit Agreement”;

“Restated Term Facility” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2023 – Credit Agreement”;

“Rubicon” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2022 – Acquisitions”;

“Rubicon Acquisition” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2022 – Acquisitions”;

“Shelf Prospectus” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions”;

“Subscription Receipts” has the meaning ascribed thereto under “General Development of Neighbourly’s Business – Three-Year Business Development History – Fiscal 2022 – Public Offerings and Other Capital Market Transactions”; and

“TSX” means the Toronto Stock Exchange.

EXHIBIT "A"
AUDIT COMMITTEE CHARTER

CHARTER OF THE AUDIT COMMITTEE

I GENERAL

1. Mandate and Purpose of the Committee

The purpose of the Audit Committee (the "**Committee**") is to assist the board of directors (the "**Board**") of Neighbourly Pharmacy Inc. (the "**Company**") in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions, including the Board's oversight of:

- (a) the quality and integrity of the Company's financial statements and related information;
- (b) the qualifications, independence, appointment and performance of the external auditor;
- (c) the accounting and financial reporting policies, practices and procedures of the Company and its subsidiaries and affiliates;
- (d) the Company's risk management practices and legal and regulatory compliance;
- (e) management's design, implementation and effective conduct of internal controls over financial reporting and disclosure controls and procedures;
- (f) the performance of the Company's internal audit function, if applicable; and
- (g) preparation of disclosures and reports required to be prepared by the Committee by any law, regulation, rule or listing standard.

2. Authority of the Committee

- (a) The Committee has the authority to delegate to subcommittees, provided however that the Committee shall not delegate any power or authority required by any law, regulation, rule or listing standard to be exercised by the Committee as a whole.
- (b) The Committee has the authority, and the Company will provide it with proper funding to enable it, to:
 - (i) engage independent counsel and other advisors as it determines necessary or advisable to carry out its duties and to set and pay the compensation for any such advisors; and
 - (ii) communicate directly with the external auditors and to obtain information it requires from employees, officers, directors and external parties.

II PROCEDURAL MATTERS

1. Composition

The Committee will be composed of a minimum of 3 members.

2. Member Qualifications

- (a) Every Committee member must be a director of the Company.

- (b) Every Committee member must be qualified to serve on the Committee pursuant to the requirements of any applicable law, regulation, rule or listing standard, including being “independent” and “financially literate” as such terms are defined by applicable laws, regulations, rules and listing standards.
- (c) At least one member of the Committee will have accounting or related financial management experience or expertise and such person shall be designated the “audit committee financial expert” for the purposes of applicable securities laws, regulations, rules and listing standards.

3. Member Appointment and Removal

Committee members will be appointed by the Board. The members of the Committee will be appointed promptly after each annual shareholders’ meeting and will hold office until a successor is appointed, they are removed by the Board or they cease to be directors of the Company.

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Committee and will be filled by the Board if the membership of the Committee falls below 3 directors.

4. Committee Structure and Operations

(a) Chair

The Board will appoint one Committee member to act as its chair (the “**Chair**”), provided that if the Board does not so designate a Chair, the Committee, by a majority vote, may designate a Chair. The Chair may be removed at any time at the discretion of the Board. The incumbent Chair will continue in office until a successor is appointed or he or she is removed by the Board or ceases to be a director of the Company. If the Chair is absent from a meeting, the Committee will, by majority vote, select another Committee member to preside at that meeting.

(b) Meetings

The Chair will be responsible for developing and setting the agenda for Committee meetings and determining the time, place and frequency (which shall be at least quarterly) of Committee meetings, provided that any member of the Committee or the external auditor may call a Committee meeting.

(c) Notice

- (i) Notice of the time and place of every Committee meeting will be given verbally or in writing to each member of the Committee and to the Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”) of the Company at least 24 hours prior to the time fixed for such meeting.
- (ii) The external auditor of the Company will be given notice of every Committee meeting and, at the expense of the Company, will be entitled to attend and be heard thereat.
- (iii) If requested by a Committee member, the external auditor will attend every Committee meeting held during such external auditor’s term of office.

(d) Quorum

A majority of the Committee constitutes a quorum. No business may be transacted by the Committee except by resolution in writing signed by all the Committee members or at a Committee meeting at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. At Committee meetings, Committee actions shall require approval of a majority of Committee members.

(e) Attendees

The Committee may invite any directors, officers and employees of the Company and any advisors as it sees fit from time to time to attend Committee meetings (or any part thereof) and assist in the discussion and consideration of matters relating to the Committee. The Committee will meet in camera at each meeting.

(f) Secretary

The Committee will appoint a secretary to the Committee who need not be a director or officer of the Company.

(g) Records

Minutes of Committee meetings will be recorded and maintained by the Committee's secretary and will be presented to the Chair for review and approval.

5. Committee and Charter Review

The Committee will annually review and assess its performance, effectiveness and contribution, including an evaluation of whether this Charter appropriately addresses the matters that are and should be within its scope. The Committee will conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board, including any recommended changes to this Charter and to the Company's policies and procedures.

6. Reporting to the Board

The Committee will report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

III. RESPONSIBILITIES

1. Financial Reporting

(a) The Committee is responsible for:

- (i) discussing with management and the external auditor the quality and acceptability of accounting and financial reporting standards;
- (ii) discussing with management and the external auditor the Company's internal controls and the integrity of the financial reporting and related attestations by the external auditors of the Company's internal controls over financial reporting;
- (iii) in the course of discussion with management and the external auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved; and

- (iv) engaging the external auditor to perform a review of the interim financial statements required to be prepared by any applicable law, regulation, rule or listing standard and reviewing their findings; however, no formal report from the external auditor will be required.

2. External Auditor

- (a) The Company's external auditor is required to report directly to the Committee.
- (b) The Committee is responsible for recommending to the Board:
 - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
 - (ii) the compensation of the external auditor. .
- (c) The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (d) The Committee is responsible for reviewing and approving the proposed audit scope, focus areas, timing and key decisions (e.g., materiality, reliance on internal audit) underlying the audit plan and the appropriateness and reasonableness of the proposed audit fees.

3. Relationship with the External Auditor

The Committee is responsible for:

- (a) establishing effective communication processes with management, the Board and the external auditor so that it can objectively monitor the quality and effectiveness of the external auditor's relationship with management and the Committee;
- (b) receiving and reviewing regular reports from the external auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditors' final report;
- (c) meeting regularly with the external auditor without management present;
- (d) considering and reviewing with management the internal control memorandum or management letter containing the external auditor's recommendations and management's response, if any, including an evaluation of the adequacy and effectiveness of the Company's internal financial controls and procedures for financial reporting and following up with respect to any identified weaknesses;
- (e) receiving and reviewing, at least as frequently as required by any applicable law, regulation, rule or listing standard, a report by the external auditor describing its internal quality control procedures and all relationships between the external auditor or any affiliates thereof and the Company or persons in financial reporting oversight roles at the Company that, as of the report's date, may reasonably be thought to bear on independence, and discussing with the external auditor the potential effects of such relationships;

- (f) reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the Company's present and former external auditors; and
- (g) pre-approving all audit and non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor where such pre-approval is required by any applicable law, regulation, rule or listing standard.

The Committee may delegate the pre-approval of services provided by the external auditor to one or more members of the Committee, which member(s) shall be independent to the extent required by any applicable law, regulation, rule or listing standard. Any such delegate shall report his or her approvals to the Committee at the next scheduled meeting.

4. Accounting Policies

The Committee is responsible for:

- (a) reviewing the Company's accounting policy note to ensure completeness and acceptability with the accounting standards adopted by the Company as part of the approval of the financial statements;
- (b) reviewing with management and the external auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;
- (c) discussing with management and the external auditor the acceptability, appropriateness (within the range of acceptable options and alternatives), degree of aggressiveness/conservatism and quality of underlying accounting policies, disclosures and key estimates and judgments; and
- (d) discussing with management and the external auditor the clarity and completeness of the Company's financial and non-financial disclosures.

5. Risk Management and Compliance

The Committee is responsible for:

- (a) reviewing, with Company counsel, compliance and legal matters that could have a significant impact on the Company's financial statements, including pending or threatened material litigation;
- (b) discussing the Company's policies with respect to risk assessment and risk management, the Company's insurance coverage, as well as the Company's major financial risk exposures and the steps management has undertaken to control them;
- (c) to the extent permitted by law, considering waivers of the Code of Business Conduct and Ethics applicable to members of the Nomination, Governance, Compensation and ESG Committee, and if appropriate, granting any such waivers;
- (d) in consultation with management, identifying the principal business and financial risks and deciding on the Company's "appetite" for risk; and
- (e) making recommendations on the Company's risk management practices.

6. Controls and Control Deviations

- (a) The Committee is responsible for reviewing and discussing:
 - (i) management's annual plan for monitoring of internal controls over financial reporting;
 - (ii) the plan and scope of the annual audit with respect to planned reliance and testing of controls;
 - (iii) major points contained in the auditor's management letter resulting from control evaluation and testing; and
 - (iv) the Company's disclosure controls and procedures, including any significant deficiencies in or material non-compliance with, such controls and procedures.
- (b) The Committee is also responsible for:
 - (i) reviewing plans of the external auditors to ensure the combined evaluation and testing of control is comprehensive, well coordinated, cost effective and appropriate to risks, business activities and changing circumstances;
 - (ii) receiving from management and the external auditors regular reports on all major control deviations, or indications/detection of fraud, and how such control breakdowns have been corrected;
 - (iii) meeting regularly with management without the external auditor present; and
 - (iv) reviewing the risk of management's ability to override the Company's internal controls.
- (c) The Committee shall review and discuss with the Company's CEO and CFO the process for the certifications to be provided and receive and review any disclosure from the Company's CEO and CFO made in connection with the required certifications of the Company's quarterly and annual reports filed, including:
 - (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data; and
 - (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- (d) The Committee shall establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

7. Relationship with the Internal Auditor

If no internal audit function exists, the Committee is responsible for periodically reviewing with management the need for such a function.

8. Public Disclosure of Financial Information and Other Public Disclosure

In connection with the public disclosure of financial information and other public disclosure, the Committee shall:

- (a) review the Company's annual and interim financial statements, related management's discussion and analysis (MD&A), prospectus-type documents, earnings press releases (including financial outlook, future-oriented financial information and other forward-looking information) and other disclosure material filed with any securities commission before the Company publicly discloses this information and, if appropriate, recommend for approval by the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) any material areas where judgment must be exercised;
 - (iii) the going concern assumption, if any;
 - (iv) compliance with accounting standards; and
 - (v) subject to the advice of internal or external legal counsel, compliance with applicable laws, regulations, rules and listing standards;
- (b) review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in the Company's periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by applicable laws, regulations, rules and listing standards for the filing of such reports, and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such disclosure controls;
- (c) as applicable, establish a policy, which may include delegation to an appropriate member or members of management, for release of earnings press releases as well as for the release of financial information and earnings guidance provided to analysts and rating agencies;
- (d) satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures; and
- (e) to the extent deemed appropriate, review and supervise the preparation by management of:
 - (i) any information of the Company required to be filed by the Company with applicable securities regulators or stock exchanges;
 - (ii) press releases of the Company containing material financial information, earnings guidance, forward-looking statements, information about operations or any other material information;
 - (iii) correspondence broadly disseminated to the shareholders of the Company; and
 - (iv) other relevant material written and oral communications or presentations.

9. Other Responsibilities

- (a) The Chair of the Committee is responsible for setting forth the Committee's expectations with respect to information (e.g., nature, level of detail, timing, reports, etc.) and ensuring the information received is responsive to important performance measures and to the key risks the Committee oversees.
- (b) The Committee is responsible for, and has the explicit authority, to investigate any matters that fall within the Committee's responsibilities.

10. Authority

The Committee is authorized:

- (a) to seek any information it requires from any officer or employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, independent outside legal or other professional advice on any matter within its terms of reference and such adviser may attend meetings of the Committee as required;
- (c) to call any employee to be questioned at a meeting of the Committee as and when required, as determined by the Committee; and
- (d) to have the right to publish in the Company's public disclosure details of any issues that cannot be resolved between the Committee and the Board.

11. Controls and Control Deviations

The Committee shall discharge its responsibilities and shall assess the information provided by the Company's management and any external advisors, including the external auditor, in accordance with its business judgment. Committee members are not full-time Company employees and are not, and do not represent themselves to be, professional accountants or auditors. The authority and responsibilities set forth in this Charter do not create any duty or obligation of the Committee to (i) plan or conduct any audits, (ii) determine or certify that the Company's financial statements are complete, accurate, fairly presented or in accordance with IFRS or GAAP, as applicable, and applicable laws, regulation, rules or listing standards, (iii) guarantee the external auditor's reports, or (iv) provide any expert or special assurance as to internal controls or management of risk. Committee members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons from whom they receive information, the accuracy and completeness of the information provided and management's representations as to any audit or non-audit services provided by the external auditor.

Nothing in this Charter is intended or may be construed as to impose on any Committee member or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject under applicable law. This Charter is not intended to change or interpret the Company's amended articles of incorporation or by-laws or any law, regulation, rule or listing standard to which the Company is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws, regulations, rules and listing standards. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to Company securityholders or other liability whatsoever.

Dated: May 14, 2021

Approved by: Board of Directors of the Company