

NEITHER THE CANADIAN SECURITIES EXCHANGE (THE “EXCHANGE”), THE TSX VENTURE EXCHANGE INC., NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY PASSED UPON THE MERITS OF THE TRANSACTION DESCRIBED IN THIS INFORMATION CIRCULAR (HEREINAFTER THE “CIRCULAR” OR “INFORMATION CIRCULAR”).



**NOTICE OF A SPECIAL MEETING
OF SHAREHOLDERS OF AXE EXPLORATION INC.**

TO BE HELD ON NOVEMBER 23, 2018

AND

INFORMATION CIRCULAR

DATED OCTOBER 23, 2018

CONCERNING, AMONG OTHER THINGS, THE TRANSACTION INVOLVING THE ACQUISITION BY AXE EXPLORATION INC. OF ALL THE ISSUED AND OUTSTANDING SHARES OF TERRANUEVA PHARMA CORPORATION, A CONCURRENT PRIVATE PLACEMENT AND A CONSOLIDATION OF COMMON SHARES.

These materials require your immediate attention. The following Transaction must be considered as highly speculative due to the nature of the Target Company and its activities, and is very high-risk. All of the Resulting Issuer’s projects are at a preliminary stage. Please refer to Section “Information Concerning the Transaction –Risk factors” under Part II of this Information Circular. If you are in doubt as to how to deal with these materials or the matters referred to herein, please consult your investment dealer, stock broker, bank manager or other professional advisor.

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GLOSSARY OF TERMS

The following is a glossary of certain terms frequently used in this Information Circular, this Notice and in the Appendices.

“Acquisition” means the Consolidation followed by the acquisition by Axe of all of the issued and outstanding shares of Terranueva Pharma, namely 124,750 Terranueva Pharma Shares, in exchange of 21,860,000 Common Shares (post-Transaction) at a value of \$0.50 per Common Share for a total consideration of \$10,930,000 and the payment of the Finder’s Fees;

“Affiliate” means a Company that is affiliated with another Company as follows:

a Company is an “Affiliate” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

a Company is “controlled” by a Person if:

- (a) voting securities of a Company are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the Directors of a Company.

a Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Affiliate” has the meaning ascribed thereto in National Instrument 45-106 – Prospectus and Registration Exemptions;

“affiliated entity” has the meaning ascribed to it in Ontario Securities Commission Rule 45-501;

“Agent” means Leede Jones Gable Inc. or any intermediary who referred subscribers to the Corporation within the scope of the Placement;

“Agent Warrant” means a non-transferable common share purchase warrant issued to an Agent entitling the holder thereof to acquire one Common Share (post-Transaction) of the Corporation at a price of \$0.50 for a period of 18 months from the Closing of the Placement. Each Agent Warrant and underlying Common Share issued pursuant to the Agent Warrant will be subject to a mandatory hold period of four (4) months and one (1) day from the Closing of the Placement;

“Aggregate Pro Group” means all Persons who are members of any Pro Group whether or not the Member is involved in a contractual relationship with the issuer to provide financing sponsorship and other advisory services;

“Annual and Interim Financial Statements of Axe” means the audited financial statements for the 12 months ended September 30, 2017, 2016 and 2015 and the unaudited interim financial statements for the nine (9) months period ended June 30, 2018 and the corresponding Axe MD&A, as indicated at Item *Information Incorporated by Reference*;

“Articles” means the Corporation’s articles dated October 17, 2007 as amended from time to time;

“Associate” when used to indicate a relationship with a Person or Company, means:

- (a) an issuer of which the Person or Company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than ten percent (10%) of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person or Company;
- (c) any trust or estate in which the Person or Company has a substantial beneficial interest or in respect of which a Person or Company serves as trustee or in a similar capacity;
- (d) in the case of a Person, a relative of that person, including:
 - (i) that Person’s spouse or child; or
 - (ii) any relative of the Person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two (2) Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships with respect to that Member firm, Member corporation or holding company;

“Audited Financial Statements of Terranueva Pharma” means the audited financial statements for the 8-month period ended July 31, 2018;

“Axe” or **“Corporation”** means Axe Exploration Inc.;

“Axe MD&A” means the management’s discussion and analysis for the year ended September 30, 2017, 2016 and 2015 and the management’s discussion and analysis for the nine (9) months ended June 30, 2018 which have been filed under Axe’s profile on SEDAR and are hereby incorporated by reference;

“Axe Shares” or **“Common Shares”** means the common shares in the capital stock of Axe;

“Board” means the board of Directors of the Corporation;

“Cannabis Act”: means An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, which received Royal Assent on June 21, 2018 and effective October 17, 2018;

“Cannabis Laws” means collectively, the Cannabis Act, the Cannabis Regulations, the Food and Drug Act, the Cannabis Exemption (Food and Drug Act) Regulations, the Medical Devices Regulations, the Natural Health Product Regulations, the Narcotic Control Act and the Narcotic Control Regulations and all provisions of any laws, statutes, ordinances, rules, regulations, or governmental directives applicable to the

production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of cannabis or any class of cannabis, as amended from time to time or individually, the relevant law, statute, ordinance, rule, regulation, governmental directive applicable to the production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of cannabis or any class of cannabis, as amended from time to time.

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended from time to time, and all by-laws derived from it;

“**Charter**” means *Canadian Charter of Rights and Freedoms* (Canada), as amended;

“**Closing of the Acquisition**” means the closing of the Acquisition, including the Consolidation;

“**Closing of the Maximum Placement**” means the closing of the Maximum Placement;

“**Closing of the Minimum Placement**” means the closing of the Minimum Placement;

“**Closing of the Placement**” means the closing of the Placement;

“**Closing of the Transaction**” means both the Closing of the Acquisition, including the Consolidation, and the Closing of the Placement;

“**Commission**” means a cash commission equivalent to up to 8% of the gross proceed raised from applicable subscribers to the Placement that have been referred to the Corporation by the Agent and a number of Agent Warrants equivalent to up to 8% of the number of Units issued under the Placement to applicable subscribers that have been referred to the Corporation by the Agent;

“**Common Shares**” or “**Axe Shares**” means the common shares in the capital stock of Axe;

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Completion of the Transaction**” means the date the Final Press Release is issued by the Corporation;

“**Computershare**” means Computershare Investors Services Inc.;

“**Consideration Shares**” means the aggregate of 21,860,000 Common Shares;

“**Consolidation**” means consolidation of the issued and outstanding Common Shares of Axe on the basis of one (1) post-Transaction Common Share for sixteen (16) pre-Transaction Common Shares effective as of the Closing of the Transaction;

“**Control Person**” means any person or Company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or that holds more than twenty percent (20%) of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of such securities does not materially affect the control of the issuer;

“**Corporation**” or “**Axe**” means Axe Exploration Inc.;

“**CRA License**”: the license required under the Excise Act, 2001 to cultivate, grow and package cannabis products for both medical and non-medical purposes granted by the CRA;

“**CSE**” or “**Exchange**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.;

“**CRDU**” means the Centre for Research and Development Unit of the Resulting Issuer;

“**Director**” means the Director appointed under section 260 of the CBCA;

“**Escrow Agreement**” means the escrow agreement to be entered into among Computershare, the Resulting Issuer, Sylvain Aird, Francisco Perez Jr., Fiducie Castillo, GMTN Inc., Alain Bureau, Pierre Monet, Pierre Ayotte, Louis Doyle and Marc-André Aubé in compliance with the requirements of the Corporation, with the securities subject to such agreement to be released as determined by the Corporation. See Part V Section “*Information Concerning Resulting Issuer – Escrowed Securities*”. Additional restrictions concerning the resale of securities by Persons other than Related Persons of the Resulting Issuer may also be applied by competent market commissions depending on the applicable policies and the Corporation;

“**Escrowed Shares**” means the 17,634,666 Common Shares of the Resulting Issuer to be received by the Related Persons of the Resulting Issuer, which will be escrowed by Computershare upon Closing of the Transaction. See Part V Section “*Information Concerning the Resulting Issuer - Escrowed Securities*”;

“**Exchange**” or “**CSE**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.;

“**Facility**” means Terranueva proposed facility, located in the City of L’Assomption, Québec;

“**Final Press Release**” means the press release to be issued following the closing of the Transaction and the submission of all required documentation that evidences the final Exchange acceptance of the Transaction;

“**Finder**” means the finder in the scope of the Acquisition, namely Séguin Racine, Attorneys;

“**Finder’s Fees**” means the finder’s fees in the context of the Acquisition in the amount of \$625,000 through the issuance of 1,250,000 Common Shares (post-Transaction) at a price of \$0.50 per Common Share;

“**Governmental Authority**” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the CSE or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing;

“**IFRS**” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board, as amended from time to time;

“**Initial Agreement**” means the letter of intent dated July 24, 2018, between Axe, Terranueva Pharma, and the Shareholders of Terranueva Pharma pursuant to which the Corporation has agreed, subject to the fulfillment of certain conditions, to acquire all of Terranueva Pharma Shares. See Part II Section “*Information Concerning the Transaction – Transaction*”;

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of a Company who is an Insider or subsidiary of the Issuer;

- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than ten percent (10%) of the voting rights attached to all outstanding voting shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities;

“**Issuer**” means a Company and its subsidiaries having any of its securities listed for trading on the Exchange and, as the context requires, any applicant Company seeking a listing of its securities on the Exchange;

“**Lease**” means the lease agreement for the Facility among Corporation Terranueva Pharma and Gestion Immobilière Harmonie SENC;

“**License**” means any license granted by Health Canada for the production, testing, packaging, labeling, sending, delivering, transporting, selling, effecting research on, possessing, cultivating, processing, analytical testing, disposing and exporting of cannabis or any class of cannabis;

“**Licensed Producer**” means the status of being a licensed producer of cannabis for medical purposes under past and current Cannabis Laws;

“**Listed Issuer**” and “**Issuer**” both mean an issuer which has its securities qualified for listing on Exchange or which has applied to have its securities qualified for listing on the Exchange, as applicable;

“**Listing Statement**” means the CSE Form 2A Listing Statement of the Resulting Issuer to be filed with the Exchange;

“**Maximum Placement**” means a Placement with several investors of 8,000,000 Units for gross proceeds of \$4,000,000 assuming no exercise of the Over-Allotment Option;

“**Meeting**” means the special meeting of Shareholders of the Corporation to be held on November 23, 2018;

“**Member**” means a person or Company who has executed the member’s agreement, as amended from time to time, among the CSE and each person or Company who, from time to time, is accepted as and becomes a member of the CSE under the CSE requirements;

“**Minimum Placement**” means a Placement with several investors of 4,500,000 Units for gross proceeds of \$2,250,000;

“**MI 61-101**” means *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions*;

“**MPU**” means Modular Production Units of the Resulting Issuer;

“**NCR**” means the *Narcotic Control Regulations (Canada)*;

“**Non-Arm’s Length Parties to the Transaction**” means the Vendors, any Target company and includes, in relation to Significant Assets or a Target Company, the Non Arm’s Length Parties of the Vendors, the Non Arm’s Length Parties of any Target Company and all other parties to or associated with the Transaction and Associates or Affiliates of all such other parties;

“**Non-Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such

Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person;

“**Non-Arm’s Length Transaction**” means a transaction where the same party or parties or their respective Associates or Affiliates is a Control Person in both Axe and Terranueva Pharma;

“**Options**” means the outstanding and unexercised options to purchase Common Shares granted under the Stock Option Plan;

“**Over-Allotment Option**” means the over-allotment option granted to the Agent to the Placement, exercisable in whole or in part, at the sole discretion of the Agent, to sell up to 1,200,000 Units additional to those issued in the scope of the Maximum Placement, representing up to 15% of the number of Units offered under the Maximum Placement, at purchase price of \$0.50 per Unit for a gross proceed of up to \$600,000. If the Agent exercises the Over-Allotment Option in full, the gross proceed of the Placement will be \$4,600,000;

“**Person**” includes an individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability Company, unlimited liability Company, Joint Venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or Governmental Authority or other entity, whether or not having legal status;

“**Placement**” means a private placement with several investors, subject to the approval of the Exchange and the Regulatory Approvals, of a minimum of 4,500,000 Units at a price of \$0.50 per unit for gross proceeds of \$2,250,000 and a maximum of 8,000,000 Units for gross proceeds of \$4,000,000 (assuming no exercise of the Over-Allotment Option), including the Over-Allotment Option and the payment of any Commission. Each Unit will consist of one (1) Common Share (post-Transaction) and one half (1/2) of a Common Share purchase Warrant. Each whole Warrant will entitle the holder thereof, subject to an adjustment in certain circumstances, to acquire one (1) additional Common Share (post-Transaction) of the Corporation at a price of \$0.65 for a period of 18 months from the Closing of the Placement. Each Unit, Common Share and Warrant issued pursuant to the Placement will be subject to a mandatory holding period of four (4) months and one (1) day from the Closing of the Placement;

“**Principal**” means:

- (a) a Person who acted as a Promoter of the Corporation within two (2) years before the Final Press Release;
- (b) a director or senior officer of the Corporation or any of its material operating subsidiaries at the time of the Final Press Release;
- (c) a twenty percent (20%) holder – a Person that holds securities carrying more than 20% of the voting rights attached to the Corporation’s outstanding securities immediately before and immediately after the Final Press Release; and
- (d) a ten percent (10%) holder – a Person that:
 - (i) holds securities carrying more than ten percent (10%) of the voting rights attached to the Corporation’s outstanding securities immediately before and immediately after the Final Press Release; and

- (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Corporation or any of its material operating subsidiaries.

In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A Company, more than fifty percent (50%) held by one or more Principals, will be treated as a Principal. (In calculating this percentage, include securities of the entity that may be issued to the Principals under outstanding convertible securities in both the Principal's securities of the entity and the total securities of the entity outstanding.) Any securities of the Corporation that this entity holds will be subject to escrow requirements.

A Principal's spouse and any relatives of the Principal or spouse who live at the same address as the Principal will also be treated as Principals and any securities of the Corporation they hold will be subject to escrow requirements;

“Pro Group” means:

- (a) Subject to subparagraphs (b), (c) and (d) and (e) “Pro Group” shall include, either individually or as a group:
 - (i) the Member;
 - (ii) employees of the Member;
 - (iii) partners, officers and directors of the Member;
 - (iv) Affiliates of the Member; and
 - (v) Associates of any parties referred to in subparagraphs (i) through (iv).
- (b) The Exchange may, in its discretion, include a Person or party in the Pro Group for the purposes of a particular calculation where the Exchange determines that the Person is not acting at arm's length to the Member; and
- (c) The Exchange may, in its discretion, exclude a Person from the Pro Group for the purposes of a particular calculation where the Exchange determines that the Person is acting at arm's length of the Member;
- (d) The Exchange may deem a Person who would otherwise be included in the Pro Group pursuant to subparagraph (a) to be excluded from the Pro Group where the Exchange determines that:
 - (i) the Person is an affiliate or associate of the Member is acting at arm's length of the Member;
 - (ii) the associate or affiliate has a separate corporate and reporting structure;
 - (iii) there are sufficient controls on information flowing between the Member and the associate or affiliate; and
 - (iv) the Member maintains a list of such excluded Persons;

“Proceedings” means any court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry before or by any Governmental Authority, or any claim, action, suit, demand, arbitration, charge, indictment, hearing, demand letter or other similar civil, quasi-criminal or criminal, administrative or investigative matter or proceeding, including by any third party whatsoever;

“Registered Shareholders” means shareholders whose names appear in the Company records;

“Regulation 45-106” means the *Regulation 45-106 respecting prospectus exemptions*;

“Regulatory Approvals” means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any governmental entity, or the expiry, waiver or termination of any waiting period imposed by Law or a governmental entity, in each case in connection with the Share Purchase Agreement;

“Related Entity” means, in respect of a Listed Issuer (a) a person (i) that is an affiliated entity of the Listed Issuer, (ii) of which the Listed Issuer is a control block holder; (b) a management company or distribution company of a mutual fund that is a Listed Issuer; or (c) a management company or other company that operates a trust or partnership that is a Listed Issuer;

“Related Person” means, in respect of a Listed Issuer:

- (a) a Related Entity of the Listed Issuer;
- (b) a partner, director or officer of the Listed Issuer or Related Entity;
- (c) a promoter or a person who performs Investor Relations Activities for the Listed Issuer or Related Entity;
- (d) any Person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the Listed Issuer or Related Entity; and
- (e) such other Person as may be designated from time to time by the Exchange;

“Related Party Transaction” has the meaning ascribed to that term under MI 61-101, and includes a related party transaction that is determined by the Exchange or the Corporation, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm’s Length Parties, or other circumstances exist which may compromise the independence of the Corporation with respect to the Transaction;

“Resulting Issuer” or **“Terranueva”** means the issuer that was formerly Axe that is created by the Closing of the Transaction contemplated therein and by the issuance of the Final Press Release; in the case of Axe, the Resulting Issuer is to be named “Terranueva Corporation / Corporation Terranueva”;

“Resulting Issuer Options” means the 400,000 Options granted to admissible persons pursuant to the current Stock Option Plan;

“Resulting Issuer Shares” means the Common Shares (post-Transaction) of the capital stock of the Resulting Issuer;

“**Right**” or “**Rights**” means the right, pursuant to the Rights Offering, to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of 90 days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular;

“**Rights Offering**” means the proposed offering by the Corporation of Rights to each Shareholders of Axe of record as at 5:00 p.m. (Montréal time) on October 25, 2018 pursuant to the prospectus exemption through rights offering under Regulation 45-106 on the basis of one (1) Right for every sixteen (16) Common Shares (pre-Transaction) held. Each Right will entitle the holder thereof to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of ninety (90) days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular;

“**Rights Offering Circular**” means the rights offering circular completed by the Corporation according to Form 45-106F15 pursuant to Regulation 45-106 to be available on www.sedar.com;

“**Rights Offering Notice**” means the rights offering notice completed by the Corporation according to Form 45-106F14 pursuant to Regulation 45-106 to be available on www.sedar.com;

“**Securities Act**” means the *Securities Act* (Québec), as it may be amended or re-enacted from time to time;

“**Securities Authorities**” means the *Autorité des marchés financiers* (Québec) and any other applicable securities commission or securities regulatory authority of a province of Canada;

“**Securities Laws**” means the securities legislation, regulations, rules, policies, notices, instruments and blanket orders in force from time to time in the Province of Québec;

“**SEDAR**” means the System for Electronic document Analysis and Retrieval available on the Internet at <http://www.sedar.com>.

“**Shareholders of Terranueva Pharma**” or “**Vendors**” means Francisco Junior Perez, Fiducie Castillo, GMTN Inc., Fiducie Goliath, Alain Bureau, Pierre Monet, Esquilin S.E.N.C., Michel Renaud, AMAFLO (1999) Inc., Chantal Guimont M.D. Ltée, Sylvain Belzile M.D. Inc. and 11643777 Canada Inc.;

“**Shareholders of Axe**” or “**Shareholders**” means the holders of all of the issued and outstanding Axe Shares in the share capital of Axe;

“**Share Purchase Agreement**” collectively means the purchase, sale and exchange agreement to be entered into among Axe, Terranueva Pharma and the Vendors, pursuant to which the Corporation will agree to purchase 124,750 Terranueva Pharma Shares in exchange of the issuance, subject to any required regulatory approvals, of 21,860,000 Common Shares (post-Transaction) at the price of \$0.50 for a consideration of \$10,930,000;

“**SQDC**” means Société québécoise du cannabis;

“**Stock Option Plan**” means the current stock option plan of the Corporation dated March 11, 2011;

“**Subsidiary**” or “**Subsidiaries**” has the meaning specified in Section 1.1 of Regulation 45-106, as in effect on the date of the Share Purchase Agreement;

“**Target Company**” means a company to be acquired by Axe as its significant asset pursuant to this Transaction. Terranueva Pharma, which is to be acquired by Axe, is the target company within the scope of Axe’s Transaction;

“**Terranueva Corporation**” or “**Resulting Issuer**” means the issuer that was formerly Axe that is created by the Closing of the Transaction contemplated therein and by the issuance of the Final Press Release; in the case of Axe, the Resulting Issuer is to be named “Terranueva Corporation / Corporation Terranueva”;

“**Terranueva Pharma**” or “**Terranueva**” means the private company Terranueva Pharma Corporation /Corporation Terranueva Pharma;

“**Terranueva Pharma Shares**” means all of the issued and outstanding shares of the capital stock of the private company Terranueva Pharma, namely, 124,750 class “A” shares of Terranueva Pharma;

“**Transaction**” means collectively the Acquisition, including the Consolidation and payment of the Finder’s Fees, and the Placement, including the Over-Allotment Option and the payment of any Commission;

“**TSX-V**” means the TSX Venture Exchange;

“**Unit**” means a unit issued to a subscriber to the Placement at a price of \$0.50 per unit consisting of one (1) Common Share (post-Transaction) and one half (1/2) Warrant. Each whole Warrant will entitle the holder thereof, subject to an adjustment in certain circumstances, to acquire one (1) additional Common Share (post-Transaction) of the Corporation at a price of \$0.65 for a period of 18 months from the Closing of the Placement. Each Unit, Common Share and Warrant issued pursuant to the Placement will be subject to a mandatory holding period of four (4) months and one (1) day from the Closing of the Placement;

“**Vendors**” or “**Shareholders of Terranueva Pharma**” means Francisco Junior Perez, Fiducie Castillo, GMTN Inc., Fiducie Goliath, Alain Bureau, Pierre Monet, Esquilin S.E.N.C., Michel Renaud, AMAFLO (1999) Inc., Chantal Guimont M.D. Ltée, Sylvain Belzile M.D. Inc. and 11643777 Canada Inc.;

“**Warrants**” means Common Share purchase warrants in the capital of the Corporation. Each whole Warrant will entitle the holder thereof to acquire one (1) additional Common Share at a price of \$0.65 per Common Share for a period of 18 months from the Closing of the Placement;

FORWARD-LOOKING STATEMENTS

This Information Circular may contain forward-looking statements regarding future events. Often, but not always, such forward looking statements are identified herein by the use of the words “may”, “could”, “anticipates”, “believes”, “proposes”, “predicts”, “projects”, “intends”, “is of the view”, “estimates”, “expects” or variants thereof or indications that certain measures, events or results “may”, “could” or “should” be taken, occur or be effected. Such statements are subject to known and unknown risks and uncertainties and other factors that could cause the Corporation’s actual results, returns or accomplishments to differ materially from those projected. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Resulting Issuer to obtain necessary financing, satisfy the requirements of the Exchange with respect to the proposed Transaction, the economy generally, competition, and anticipated and unanticipated costs. Such statements could also be materially affected by the impact of general imprecision of environmental risks, environmental regulation, taxation policies, competition, the lack of available and qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. Actual results, performance or achievement could differ materially from those expressed herein. No assurance can be given that forward-looking statements regarding future events are accurate, given that actual results and future events may vary significantly in relation to those suggested in statements regarding future events. The statements regarding expected future events are made on the date hereof. While the Corporation anticipates that subsequent events and developments may cause its views to change, the Corporation specifically disclaims any obligation to update these forward-looking statements except as required by applicable securities laws. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. See Part II Section “Information Concerning the Transaction – Risk Factors”. These forward-looking statements include the following items:

- the Corporation's expectations that its capital resources, and both its operational and capital structure, are sufficient to meet its ongoing business requirements, including its short-term and long-term financial requirements and obligations, given the current economic environment;
- the Corporation's expectations regarding the Placement and, in particular, that the non-brokered private placement will result in gross proceeds of a minimum of \$2,250,000, which could be impacted by market conditions and availability of purchasers;
- the Corporation's expectations regarding available funds following the Transaction that will be impacted by the actual net proceeds of the Placement and the actual expenses relating to the Transaction, which may be higher or lower than estimates contained in this Information Circular;
- the Corporation's expectations that it will be able to complete the Acquisition on the terms described in this Information Circular;
- information regarding use of funds, including proposed budgets, all of which may be impacted by many factors including the amount of cash available following the Transaction; and
- all financial information regarding the Resulting Issuer under the following headings:
 - “Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization”;
 - “Information Concerning the Resulting Issuer – Available Funds and Principal Purposes”.

In this Information Circular, unless otherwise specified, all monetary amounts are expressed in Canadian dollars.

INFORMATION INCORPORATED BY REFERENCE

The following financial statements are available on SEDAR at www.sedar.com and are incorporated herein by reference:

- Unaudited interim financial statements of the Corporation for the 9 months period ended June 30, 2018 and the corresponding interim Management Discussion and Analysis;
- Audited annual financial statements of the Corporation for the 12 months ended September 30, 2017, and September 30, 2016, together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis;
- Audited annual financial statements of the Corporation for the 12 months ended September 30, 2016, and September 30, 2015, together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis;

(collectively the “**Annual and Interim Financial Statements of Axe**”)

SUMMARY OF INFORMATION CIRCULAR

The following is a summary of information relating to the Corporation, Terranueva Pharma and the Resulting Issuer (assuming Closing of the Transaction) and should be read together with the more detailed information and financial statements contained elsewhere in this Information Circular.

Purpose of the Information Circular

This Information Circular is furnished in connection with the solicitation of proxies by the management of Axe for use at the special meeting of the Shareholders of the Corporation (the “**Meeting**”) to be held on November 23, 2018, at 10:30 a.m. (Montréal Time), at the Château Champlain, 1 Place du Canada, Montréal, Québec, Canada and at any adjournment thereof for the purposes set out in the accompanying Notice of Meeting. (See Part I Section “*Proxy Related Information*”).

Matters to be Acted Upon at the Meeting

To the knowledge of the directors of the Corporation, the only matters to be acted upon at the Shareholders’ Meeting are those indicated in the attached Notice of Meeting of the Corporation, specifically: i) Transaction, including the Placement; ii) Consolidation of the Common Shares; iii) change in the Corporation’s name; iv) new listing of the Common Shares on the CSE and the delisting of the Common Shares from the TSX-V; v) election of the directors; vi) appointment of the new auditors; and vii) approval of the reservation of stock options under the Stock Option Plan. (See Part I Section “*Proxy related Information - Matters to be Acted Upon at the Meeting*”). There are no dissenting rights in connection with any of the matter to be acted upon at the Meeting.

Recommendation of the Board of Directors

The Board of Directors of the Corporation has unanimously concluded that the Closing of the Transaction and the Consolidation as well as the other matters to be acted upon at the Meeting are in the best interests of the Corporation and recommends that the Shareholders of Axe approve the Transaction, the Consolidation and the other matters to be acted upon at the Meeting. (See Part I Section “*Proxy related Information - Matter to be acted upon at the Meeting*”).

Summary of the Consolidation and the Transaction

As part of the Acquisition and the Transaction, the Corporation will proceed to a reverse split of the Common Shares on a ratio of 1 new share per 16 previous shares (the “**Consolidation**”). The whole is subject to the Shareholders’, the Exchange’s approvals and the Regulatory Approvals.

The Transaction includes the Acquisition and the Placement. The price per post-Transaction Common Share for the acquisition of the Terranueva Pharma Shares is \$0.50 within the scope of the Acquisition.

A Share Purchase Agreement will be executed between Axe, Terranueva Pharma and the Vendors. Pursuant to the Share Purchase Agreement, Axe will acquire, subject to the Exchange’s approval and Regulatory Approvals, all of the issued and outstanding 124,750 Terranueva Pharma Shares by the issuance of 21,860,000 post-Transaction Common Shares at a price \$0.50 each, for an aggregate purchase price of \$10,930,000.

As part of the Transaction, 1,250,000 post-Transaction Common Shares will be issued at a deemed price of \$0.50 per post-Transaction Common Share as a Finder’s Fee payable to the Finder. See Part II Section “*Information Concerning the Transaction – Closing of the Acquisition*”.

Terranueva Pharma's business vision is to produce medicinal and recreational cannabis to the highest standards in terms of effectiveness, quality and stability. Terranueva Pharma is at the forefront of research and development focusing on therapeutic cannabis drugs. The principle mission of Terranueva Pharma is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related drugs.

The Closing of the Acquisition and the Closing of the Minimum Placement are intended to be the Transaction of Axe.

Following the Closing of the Transaction and the Closing of the Minimum Placement (including the Finder's Fees), a maximum of 31,543,290 Common Shares of the Resulting Issuer will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 55.91% of the total, will be held by Related Persons of the Resulting Issuer and 13,908,624 Common Shares of the Resulting Issuer representing approximately 44.09% of the Common Shares will be held by public shareholders, including former shareholders of Axe.

Following the Closing of the Transaction and the Closing of the Maximum Placement (including the Finder's Fees), a maximum of 35,043,290 Common Shares of the Resulting Issuer (36,243,290 Common Shares of the Resulting Issuer if the Over-Allotment Option is exercised in full) will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 50.32% of the total (48.66% of the total if the Over-Allotment Option is exercised in full), will be held by Related Persons of the Resulting Issuer and 17,408,624 Common Shares of the Resulting Issuer representing approximately 49.68% of the Common Shares of the Resulting Issuer (18,608,624 Common Shares of the Resulting Issuer representing 51.34% of the total if the Over-Allotment Option is exercised in full) will be held by public shareholders, including former shareholders of Axe.

The Transaction will be carried out by parties dealing at arm's length to one another and therefore, the Transaction is not a Non-Arm's Length Transaction.

The Closing of the Minimum Placement constitutes a condition of the Transaction which is subject to the Regulatory Approvals and to the approval of the Exchange and the Shareholders. (See Part II Section "*Information concerning the Transaction - Transaction*").

The proposed Transaction is not a Related Party Transaction within the meaning of MI 61-101.

In connection with the Acquisition, the CSE has issued its conditional approval of the listing of the Common Shares, following a Listing Statement Application. The Corporation will voluntarily delist its Common Shares from the TSX-V subject to its listing on the CSE.

Placement

Concurrently to the Closing of the Acquisition, the Corporation intends to complete, subject to Regulatory Approvals, the Placement which constitutes a minimum of 4,500,000 Units and a maximum of 8,000,000 Units at a price of \$0.50 each, for a gross proceeds minimum of \$2,250,000 and maximum of \$4,000,000 (excluding the Over-Allotment Option). The Corporation will pay a Commission with respect to applicable subscriptions. Each Unit will consist of one (1) Common Share (post-Transaction) and one half (1/2) of a Common Share purchase warrant. Each whole Warrant will entitle the holder thereof, subject to an adjustment in certain circumstances, to acquire one (1) additional Common Share (post-Transaction) of the Corporation at a price of \$0.65 for a period of 18 months from the Closing of the Placement. The Corporation has granted an Over-Allotment Option representing up to 15% of the number of Units offered under the Maximum Placement, at a purchase price of \$0.50 per Unit for a gross proceed of up to \$600,000.

The Commission consists in a cash commission equivalent to up to 8% of the gross proceed raised from applicable subscribers to the Placement that have been referred to the Corporation by the Agent and a number of Agent Warrants equivalent to up to 8% of the number of Units issued under the Placement to applicable subscribers that have been referred to the Corporation by the Agent.

Each Agent Warrant entitles the holder thereof to acquire one Common Share (post-Transaction) of the Corporation at a price of \$0.50 for a period of 18 months from the Closing of the Placement. Each Agent Warrant and underlying Common Share issued pursuant to the Agent Warrant will be subject to a mandatory hold period of four (4) months and one (1) day from the Closing of the Placement.

Any investor may withdraw from the Placement as long as the Corporation has not completed the Transaction and issued its Final Press Release. Therefore, subject to certain conditions, any cheque or cash that has been given to the Corporation by the intermediary of its trust agent prior to the Closing of the Transaction, shall be returned within forty-eight (48) hours upon the official non-accomplishment of the Transaction.

See Part II Section “*Information Concerning the Transaction – Transaction and Closing of the Placement*”.

Rights Offering

The Corporation will propose an offering of Rights to each Shareholders of Axe of record as at 5:00 p.m. (Montréal time) on October 25, 2018 pursuant to the prospectus exemption through rights offering under Regulation 45-106 on the basis of one (1) Right for every sixteen (16) Common Shares (pre-Transaction) held. Each Right will entitle the holder thereof to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of ninety (90) days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular. Should all Shareholders of Axe that are admissible exercise their Rights, a maximum of 3,933,290 Common Shares (post-Transaction) could be issued.

Summary of the Resulting Issuer’s Estimated Available Funds

Based on the information available as at the date of this Information Circular, the Corporation is expected to have approximately \$4,392,000 of available funds upon Completion of the Transaction and the Maximum Placement (\$4,992,000 if the Over-Allotment Option is exercised in full) and \$2,729,500 upon Completion of the Transaction and the Minimum Placement of available funds. The table below shows the breakdown of the estimated funds available:

	Upon Completion of the Transaction	
	Minimum Placement	Maximum Placement
Estimated Funds Available	Amount (\$)	Amount (\$)
<i>Pro forma</i> consolidated cash	3,052,000	4,802,000
Estimated fees and expenses of the Placement and Transaction ⁽¹⁾	322,500	410,000
Total estimated funds available	2,729,500	4,392,000⁽²⁾

Notes:

- (1) Taking into consideration Estimated Fees of the Transaction and Commissions.
- (2) \$4,992,000 if the Over-Allotment Option is exercised in full.

The Corporation's ability to continue operations is dependent upon successfully raising the necessary financing. The Corporation has put in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures.

The following table sets out information respecting the Corporation's intended uses of such cash over the next 12 months. The amounts shown in the table below are estimates only and are based on the information available to the Corporation as at the date of the Information Circular.

	Upon Completion of the Transaction	
	Minimum Placement	Maximum Placement
Principal Uses of Proceeds	Amount (\$)	Amount (\$)
Working capital	500,000	500,000 ⁽²⁾
Salaries	770,000	770,000
Rent	135,000	135,000
Professional fees	115,000	115,000
Investors relations, Transfer Agent, Escrow Agent, Printer, CSX, continuous disclosure obligations filings, etc.	110,000	110,000
Travel, etc.	12,000	12,000
Office expenses	50,000	50,000
Safety	100,000	100,000
Phase II / operations	937,500	2,600,000
Total	2,729,500	4,392,000⁽¹⁾

Notes:

- (1) \$4,992,000 if the Over-Allotment Option is exercised in full.
- (2) \$1,100,000 if the Over-Allotment Option is exercised in full.

Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Corporation to achieve its objectives. The Corporation may also require additional funds in order to fulfill all of its expenditure requirements and to meet its objectives, in which case the Corporation expects to either issue additional shares or incur debt. There is no assurance that any additional funding required by the Corporation will be available, if required.

Although the Corporation intends to use the funds for the purposes mentioned above, management will review the Corporation's budget on a regular basis in accordance with the evolution of the Corporation and any other opportunities that could arise. In the event where the development of the Corporation would require further funds, a part of the working capital may be used to cover those expenses. In the event where the projected expenses are no more desirable, the remaining of the working capital could be used for other corporate purposes.

Management of the Corporation estimates that the Resulting Issuer's working capital shall be sufficient to cover general and administrative charges for a minimum period of twelve (12) months.

See Part V Section *“Information Concerning the Resulting Issuer – Available Funds and Principal Purposes”*.

Exchange Listing

The Common Shares are currently listed for trading on the TSX-V under the trading symbol “AXQ”. The trading in the securities of the Corporation has been halted at the request of the TSX-V on July 24, 2018, following the announcement of a transaction, while the trading price was \$0.060. (See Part III Section *“Information Concerning Axe - Changes in Share Price and Volume of Operations”*). The new symbol for Terranueva Corporation to be listed on the CSE is “TEQ”.

There is currently no market for the Terranueva Pharma Shares.

Conflict of Interest

The management of Axe, Terranueva Pharma and the Vendors are not aware of any conflict of interest with respect to the Transaction. See Part V Section *“Information Concerning the Resulting Issuer – Directors, Officers and Promoters - Conflict of Interest”*.

Dilution of Shareholders

Assuming the Closing of the Transaction, Axe Shareholders will hold: i) 11.22% of the Resulting Issuer’s Shares in the event of the Closing of the Maximum Placement (10.85% if the Over-Allotment Option is exercised in full); and ii) 12.47% of the Resulting Issuer’s Shares in the event of the Closing of the Minimum Placement. See Part V Section *“Information Concerning the Resulting Issuer – Fully Diluted Share Capital”*.

Risk Factors

Shareholders of Axe should pay particular attention to the following risk factors: negative cash flow from operations, Acquisition risks, unfavourable publicity or consumer perception, intellectual property, scientific research related to the benefits of cannabis, reliance on securing sales agreements, the Facility is not currently licensed under the Cannabis Laws, reliance on Licenses, reliance on the Facility, volatile market price for Common Shares, licensing requirements, Lease risk, holding corporation status, limited operating history, management of growth, reliance on management, conflicts of interest, litigation, dividends, limited market for securities, liquidity risk, the cannabis industry is subject to competition, cannabis is not an approved drug or medicine, regulatory risks, environmental regulations and risks, changes in laws, regulations and guidelines, restrictions on sales activities, competition, risks inherent in an agriculture business, product liability, product recalls and operating risk and insurance coverage.

See Part II Section *“Information Concerning the Transaction – Risk Factors”*.

Selected Financial Pro Forma Information

The chart hereafter summarizes selected financial information of Axe and Terranueva Pharma as well as unaudited pro forma information assuming the completion of the Acquisition, the Minimum Placement and other adjustments upon the completion of the Acquisition and the Minimum Placement. This information must be read in conjunction with an audited basis as of July 31, 2018 for Terranueva Pharma, on an

unaudited basis as of June 30, 2018 as well as the unaudited pro-forma consolidated financial statements of Axe attached to this Information Circular.

	9-Month Period Ended June 30, 2018	8-Month Period Ended July 31, 2018	
	<u>Axe</u>	<u>Terranueva Pharma</u>	<u>Pro Forma</u>
Total assets	\$867,207	\$3,948,873	\$7,276,080
Total liabilities	\$23,082	\$4,192,535	\$3,760,994
Total Shareholders' Equity (deficiency)	\$844,125	(\$243,662)	\$3,515,086

See Part V Section “*Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization*”.

Interest of Experts

No person whose profession or business gives authority to a statement made by such person and who is named in this Circular (being the auditors of the Corporation) has received or will receive a direct or indirect interest in the property of the Corporation or any related Person of the Corporation. As at the date of this Circular, the aforementioned persons do not beneficially own, directly or indirectly, any securities of the Corporation. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or expected to be elected, appointed or employed as a director, senior officer, promoter or employee of the Corporation.

Conditional Listing Approval

The Exchange has issued its conditional approval of listing of the Common Shares and the Transaction, provided that Axe satisfies all of the conditions of the Listing Statement.

Interest of Experts, Insiders and Promoters

As of the date of this Information Circular, the Common Shares beneficially owned, directly or indirectly, by all promoters, directors, officers, Insiders of the Corporation, any Associates or Affiliates of any of such Persons and Aggregate Pro Group, as a group, is 5,640,731 Common Shares (pre-Transaction) or 8.96% of the currently issued and outstanding Common Shares. Upon Closing of the Transaction, the Common Shares beneficially owned, directly or indirectly, by all Promoters, directors, officers, Insiders of the Resulting Issuer, any Associates or Affiliates of any of such Persons and Aggregate Pro Group, as a group, will be 17,634,666 Common Shares (post-Transaction) or 55.91% of the 31,543,290 Common Shares (post-Transaction) to be issued assuming the Minimum Placement and will be 17,634,666 Common Shares (post-Transaction) or 50.32% of the 35,043,290 Common Shares (post-Transaction) to be issued assuming the Maximum Placement (48.66% of the 36,243,290 Common Shares (post-Transaction) if the Over-Allotment Option is exercised in full).

The Corporation has no investor relations firm.

To the knowledge of the directors and officers of Axe, Terranueva Pharma and the Vendors, there is no existing or potential material conflict of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a proposed director, officer or promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer. Conflicts of interest, if any, will be subject to procedures and recourses pursuant to the CBCA.

Raymond Chabot Grant Thornton LLP, auditors which have audited the financial statements of Axe included in this Information Circular, or its directors or officers has any direct or indirect interests in the assets of the Corporation or the Resulting Issuer or of an associate or affiliate of the Corporation or the Resulting Issuer received or to be received upon Completion of the Transaction.

At the date hereof, Raymond Chabot Grant Thornton LLP, or its officers, directors, employees or consultants own, directly or indirectly, any of the Common Shares of the Corporation or any associate or affiliate of the Corporation. See Sections Part III “*Information Concerning Axe – Description of Securities – Common Shares*”; Part V “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters – Promoter and Conflict of Interest*”; and Part VI “*General Matters – Experts*”.

PricewaterhouseCoopers LLP prepared the audit report in respect of the audited financial statements of Terranueva Pharma and has advised Terranueva Pharma that it is independent with respect to Terranueva Pharma within the meaning of the *Code of ethics of chartered professional accountants* (Québec).

**INFORMATION CIRCULAR
AXE EXPLORATION INC.**

**PART I
PROXY RELATED INFORMATION**

Purpose for the Solicitation of Proxies

This Information Circular is provided in connection with the solicitation of proxies on behalf of the management of the Corporation to be used at the Meeting to be held on November 23, 2018, at 10:30 a.m. (Montreal time), at the Château Champlain, 1 Place du Canada, Montréal, Québec and any adjournment or adjournments thereof for the purposes set forth in the accompanying notice of special meeting of shareholders and this Information Circular. The solicitation of proxies will be done by mail, or may also be done by telephone or oral communication by the directors and officers of the Corporation, at no additional compensation. Other measures will be taken with brokers and other custodians, nominees and fiduciaries to send proxy solicitation documents to the beneficial holders of Common Shares according to the terms of Regulation 54-101 *respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*. Solicitation fees shall be paid by the Corporation.

Requisite Shareholders' Approval

All questions duly presented at the Meeting shall be disposed of by a majority of votes cast, except for: (i) the approval of the Consolidation and the name change of the Corporation requiring a special resolution passed by a majority of not less than two-thirds (2/3) of the votes casted; and (ii) the approval of the transfer of the listing of the Common Shares from the TSX Venture Exchange to the CSE requiring the approval of the minority shareholders. There are no dissenting rights in connection with any of the matter to be acted upon at the Meeting.

Appointment and Revocation of Proxies

An instrument appointing a proxy shall be in writing and shall be executed by the shareholder or his attorney duly authorized as such in writing or, if the shareholder is a corporation, by a duly authorized officer or agent thereof.

The persons designated as proxy holders in the instrument of proxy (the “**Proxy**”) accompanying the Notice of Meeting are officers and directors of the Corporation. **A Shareholder submitting a Proxy shall have the right to appoint a person to represent the shareholder at the Meeting other than the person or persons designated in the Proxy provided by the Corporation. To exercise this right, the shareholder must either insert the name of the desired proxy holder in the blank space provided in the Proxy and strike out the listed names, or submit another Proxy.** The Proxy will not be valid unless it is deposited at the offices of Computershare Investors Services Inc., 100, University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 or at 1500, Robert-Bourassa Boulevard, Suite 700, Montréal, Québec H3A 3S8, no later than forty-eight (48) open hours preceding the Meeting or any adjournment thereof.

A person giving a Proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by written instrument executed by the shareholder or by his agent, duly authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or agent, and delivered to the Corporation's head office at 255 Curé-Labelle Blvd., Suite 204, Laval, Québec, H7L 2Z9, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which such Proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deliveries the Proxy shall be revoked.

Validity of a Proxy

The articles of the Corporation provide that a proxy or an instrument appointing a duly authorized representative of a corporation shall be in writing, under the hand of the appointer or his duly authorized agent in writing, or if such appointer is a corporation, either under its seal or under the hand of an officer or agent duly authorized for that purpose.

Voting by Proxy and Exercise of the Discretionary Authority

Common shares represented by a proxy are to be voted or withheld from voting on any ballot by the proxy named in the enclosed Proxy in accordance with the instructions of the shareholders. The directors who are soliciting the proxy agree to respect the instructions given by the shareholders in the Proxy. IF NO INSTRUCTIONS ARE INDICATED, THE COMMON SHARES WILL BE VOTED IN FAVOR OF THE ADOPTION OF THE RESOLUTIONS SPECIFIED IN THE NOTICE OF MEETING. The enclosed Proxy confers discretionary authority to the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting and which may be brought at the Meeting and on any amendments or variations to matters specified in the Notice of Meeting.

Notice to Beneficial Shareholders or Non-Registered Shareholders

The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of Shareholders do not hold shares in their own name but via an intermediary (usually a bank, trust company, securities broker or other financial institution) or indirectly via a financial intermediary. Shareholders who do not hold their shares in their own name (the “**Beneficial Shareholders**” or “**Non-Registered Shareholders**”) should note that only Proxies deposited by shareholders whose names appear on the records of the Corporation as the Registered Shareholders will be recognized and will be entitled to vote at the Meeting. Even if the Common Shares are mentioned in an account statement provided to a shareholder by a broker, then, in almost all cases, those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Consequently, each Beneficial Shareholder must ensure that its voting instructions are transmitted to the appropriate person. The Beneficial Shareholder may attend the Meeting as a proxy holder to the registered shareholder and exercise, as such, the voting rights of such Common Shares. If you are not a Registered Shareholder, in order to vote you must obtain the materials relating to the Meeting from your broker or other intermediary, complete the request for voting instructions sent by the broker or other intermediary and follow the directions of the broker or other intermediary with respect to voting procedures.

In accordance with *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*, adopted by the Canadian securities regulatory authorities, the Corporation is distributing copies of the materials related to the Meeting to the clearing agencies and intermediaries for distribution to beneficial owners of shares of the Corporation. Intermediaries must forward the materials related to the Meeting to beneficial owners of Common Shares and often use a service company (such as Broadridge Investor Communications Solutions) to permit you, if you are not a Registered Shareholder, to direct the voting of the Common Shares which you beneficially own. Since the Corporation does not have access to the names of its Non-Registered Shareholders, those who wish to attend the Meeting and vote must write their own name in the blank space provided in the proxy form in order to appoint themselves as a proxy and follow the instructions of their intermediary in order to return the form to it.

Voting Shares and Principal Holders

The authorized capital of the Corporation is composed of an unlimited number of Common Shares (class “A” common shares), with no nominal value, of which 62,932,645 Common Shares (pre-Transaction) are

presently issued and outstanding. The Registered Shareholders as of the Record Date, being September 27, 2018, are entitled to vote. Each Common Share entitles its holder to exercise one (1) vote on the matters specified in the Notice of Meeting.

OWNERSHIP OF THE CORPORATION'S SHARES

To the knowledge of the directors and executive officers of the Corporation, as at the date hereof, there is no person who has a right of ownership or control or management, directly or indirectly, on more than ten percent (10%) of the voting shares of the Corporation, namely Common Shares.

As at the date hereof, the directors and officers of Axe were, as a group, the beneficial owners of, directly or indirectly, 5,640,731 Common Shares (pre-Transaction), representing 8.96% of the currently issued and outstanding Common Shares.

Interest of Certain Persons in Matters to be Acted Upon

Other than as specifically discussed under the Part I Section "*Matters to be Acted Upon at the Meeting*", no director or officer of the Corporation, past or present, or any associate or affiliate of such persons, or any person on behalf of whom this solicitation is made, has any interest, direct or indirect, in any matter to be acted upon at the Meeting, except that such persons may be directly involved in the general affairs of the Corporation, with the exception that certain directors and officers have been granted stock options.

INDEBTEDNESS OF OFFICERS AND DIRECTORS TOWARD THE CORPORATION

No director, officer, or any of their respective associates or affiliates is or has been, at any time during the fiscal year ended September 30, 2017 and 2016, and the interim period of nine (9) months ended June 30, 2018 been indebted to the Corporation.

MATTERS TO BE ACTED UPON AT THE MEETING

To the knowledge of the directors of the Corporation, the only matters to be acted upon at the Meeting are those indicated in the attached Notice of Meeting of the Corporation, specifically: i) Transaction, including the Placement; ii) Consolidation of the Common Shares; iii) change in the Corporation's name; iv) new listing of the Common Shares on the CSE and the delisting of the Common Shares from the TSX-V; v) election of the directors; vi) appointment of the new auditors; and vii) approval of the Stock Option Plan.

THE TRANSACTION

At the Meeting, it shall be proposed to the Shareholders to examine and, if deemed appropriate, to adopt the following resolution relative to the Closing of the Transaction, including the Placement. The detailed terms of the Transaction are described in the present document under the Part II "*Information concerning the Transaction*". If the Transaction is not approved by the Shareholders of Axe, the Meeting will immediately be adjourned.

Recommendation of the Corporation's Board of Directors

Founded notably on the basis of the considerations hereunder specified, the Board of Directors of Axe has concluded that the Transaction and the Placement offer a fair treatment to the Shareholders, and has unanimously approved the terms and conditions to be indicated in the Share Purchase Agreement. To arrive

at this conclusion, the Board of Directors notably examined the following factors: the potential of the products to be developed by Terranueva Pharma, the growth potential and the management. The Board of Directors of the Corporation recommends to the Shareholders that they vote **IN FAVOUR** of the Transaction.

Shareholder Approval

In order for the resolution concerning the Transaction to be approved, including the Finder's Fees and Placement, the approval of at least the majority of the votes cast, in person or by proxy at the Meeting of Axe is required.

If appointed as proxy holder, the individuals identified in the attached Proxy by the management of Axe have the intention to exercise the voting rights of Common Shares (pre-Transaction) represented by these proxies IN FAVOUR of the resolution stated below, unless indicated otherwise in the Proxy.

“IT IS RESOLVED THAT:

1. The Corporation is hereby authorized to conclude the Transaction, by which the Corporation must: i) acquire all the issued and outstanding Terranueva Pharma Shares in exchange for the issuance of 21,860,000 Common Shares (post-Transaction) of the capital of Axe at a price of \$0.50 per Common Share, for a total consideration of \$10,930,000 (the “Acquisition”), as is described in further detail in the Information Circular; and ii) to complete the Closing of the Minimum Placement;
2. In the context of the Transaction, the Corporation is hereby authorized to issue, a finder's fee of 1,250,000 Common Shares (post-Transaction) of the Resulting Issuer at a deemed price of \$0.50;
3. In the context of the Placement, the Corporation is hereby authorized to issue a minimum of 4,500,000 Units and a maximum of 8,000,000 Units (“Maximum Placement”), at a price of \$0.50 per Unit, for a minimum gross proceed of \$2,250,000 and maximum gross product of \$4,000,000. Each Unit consisting of one (1) Common Share (post-Transaction) and one half (1/2) Warrant (“Unit”). Each whole Warrant will entitle the holder thereof, subject to an adjustment in certain circumstances, to acquire one additional Common Share (post-Transaction) of the Corporation at a price of \$0.65 for a period of 18 months from the Closing of the Placement.
4. In the context of the Placement and if necessary, the Corporation is hereby authorized to grant an over-allotment option, exercisable in whole or in part, to sell up to 1,200,000 Units additional to those issued in the scope of the Maximum Placement, representing up to 15% of the number of Units offered under the Maximum Placement, at a purchase price of \$0.50 per Unit for a gross proceed of up to \$600,000;
5. In the context of the Placement, the Corporation is hereby authorized to pay, subject to Regulatory Approvals a Commission consisting of: (i) a cash commission of up to 8% of the gross proceed of the Placement and (ii) a number of Agent Warrants equivalent to up to 8% of the number of Units issued under the Placement. Each Agent Warrant will entitle the holder thereof to acquire one

Common Share (post-Transaction) of the Corporation at a price of \$0.50 for a period of 18 months from the Closing of the Placement;

6. All directors or officers, members of the management of the Corporation, are hereby authorized to sign and deliver all documents, instruments, or other writings and to take any action that they deem desirable or necessary in order to give effect to the provisions of this resolution; and
7. Without further consent from the Shareholders of Axe, the Board of Directors of the Corporation is hereby authorized to abandon the Transaction described hereunder at its discretion.”

CONSOLIDATION OF OUTSTANDING COMMON SHARES

At the Meeting, subject to the Closing of the Transaction, it will be proposed to the Shareholders of Axe to examine, and if deemed appropriate, to adopt the following special resolution by at least two-thirds (2/3) of the votes expressed by the Shareholders, in order to authorize the Corporation to proceed with the modification of its Articles, and to confer to the Board of Directors the authority to consolidate the issued and outstanding Common Shares, on a one (1) post-Transaction Common Share for every sixteen (16) pre-Transaction Common Shares. Consequently, the number of outstanding Common Shares of the Corporation would be 3,933,290 instead of 62,932,645 and the number of outstanding Option of Axe would be 400,000 instead of 6,400,000. The Common Shares would be reduced pro rata, affecting all Shareholders proportionally.

In these circumstances, the outstanding Common Shares (post-Transaction) after the proposed Consolidation would have the same rights and privileges as the Common Shares currently outstanding. No fraction of a Common Share shall be published; rather, all fractional shares equal or greater to one-half resulting from the consolidation will be rounded to the next superior whole number. Otherwise, the fractional share will be cancelled.

If appointed as proxy holder, the individuals identified in the attached Proxy by the management of Axe have the intention to exercise the voting rights of Common Shares (pre-Transaction) represented by these proxies IN FAVOUR of the special resolution stated below, unless indicated otherwise in the Proxy.

“WHEREAS the Corporation would like to adopt a special resolution approving a modification to the Corporation’s articles of incorporation by consolidating the class “A” common shares of the Corporation’s capital (“Common Shares”) issued and outstanding on the basis of one (1) Common Share post-Transaction for sixteen (16) pre-Transaction Common Shares;

IT IS RESOLVED by special resolution that:

1. the articles of incorporation of the Corporation will be modified so as to consolidate the issued and outstanding Common Shares on the basis of one (1) post-Transaction Common Share for sixteen (16) pre-Transaction Common Shares. All fractional shares equal or greater to one-half resulting from the consolidation will be rounded to the next superior whole number. Otherwise, the fractional share will be cancelled; and

2. all directors or officers of the Corporation are hereby duly authorized and formally instructed to sign all the documents, including the articles of amendment, and to take all useful or necessary actions to give effect to the present special resolution. ”

Once the Consolidation is approved by the Shareholders and effective, the registered holders of Common Shares whose names appear in the Corporation records shall complete and send the letter of transmittal enclosed with this Information Circular along with their share certificate(s) according to the instructions provided in the letter of transmittal in order to receive the new share certificates. Those who are not registered holders because they do not hold Common Shares in their own name but via an intermediary (usually a bank, trust company, securities broker or other financial institution) or indirectly via a financial intermediary, shall refer to such intermediary.

CHANGE OF NAME

The Shareholders of Axe will be called upon to approve a change to the Articles with the change of name of the Corporation. In order to be approved, the special resolution requires the approval of at least two-thirds (2/3) of the votes cast in person or by proxy, at the Meeting.

If appointed as proxy holder, the individuals identified in the attached Proxy by the management of Axe have the intention to exercise the voting rights of Common Shares (pre-Transaction) represented by these proxies IN FAVOUR of the resolution stated below, unless indicated otherwise in the proxy form.

“WHEREAS it is in the interest of the Corporation to change the name of the Corporation;

IT IS RESOLVED THAT:

Article 1 of the Corporation’s articles of incorporation is hereby repealed and replaced by the following:

1. Name of the Corporation

Terranueva Corporation / Corporation Terranueva;

That any director or officer of the Corporation is, and they are, hereby authorized to sign and deliver to the Director at Industry Canada and to the Québec Registrar of Enterprises, articles of amendment and amending declaration giving effect to the previously mentioned changes of name, to sign any other document or take any further action necessary or useful to give full effect to the present resolution; and

That the board of Directors is hereby authorized, if it deems appropriate, and in the interest of the Corporation, to cancel the present resolutions, before effect is given hereto, without further authorisation from the Shareholders.”

NEW LISTING AND TRANSFER OF THE LISTING OF THE COMMON SHARES TO THE CANADIAN SECURITIES EXCHANGE

The Exchange has issued its conditional approval of the listing of the Common Shares and Transaction on October 19, 2018. Axe will submit to its Shareholders, at the Meeting, a resolution approving a voluntary

delisting of its Common Shares on the TSX-V before the Closing of the Transaction and their subsequent listing on the CSE following the Closing of the Transaction. This resolution must be approved by a majority of the votes cast by the Shareholders who vote at the Meeting, other than 5,640,731 Common Shares (pre-Transaction) held by promoters, directors, officers or other Insiders of Axe and their Associates and Affiliates.

The persons named in the enclosed form of proxy will vote the Shareholders' Common Shares in respect of which they are appointed in accordance with the instructions of the Shareholders appointing them. **In the absence of such instructions, such Common Shares will be voted IN FAVOUR of the Resolution relative to the transfer of the listing of the Common Shares to the CSE.**

At the Meeting, subject to the Closing of the Transaction, it will be proposed to the Shareholders of Axe to examine, and if deemed appropriate, to adopt the following resolution, in order to authorize the Corporation to proceed with the new listing of the Common Shares:

“

BE IT RESOLVED:

THAT any director or officer of Axe be and it is hereby authorized to apply for the voluntary delisting of its Common Shares on the TSX-V before the Closing of the Transaction;

THAT any director or officer of Axe be and it is hereby authorized to apply for the listing of its Common Shares on the Canadian Securities Exchange upon the Closing of the Transaction;

THAT any director or officer of Axe be and he is hereby authorized, on behalf of Axe, to do such act and things and to execute such documents that such director shall determine to be necessary or useful in order give full effect to the foregoing resolutions.

”

ELECTION OF DIRECTORS

The Articles of the Corporation provide that its Board shall be composed of a minimum of three (3) and a maximum of ten (10) directors. The Board of Directors is currently composed of four (4) directors. The directors of the Corporation will remain appointed until the adjournment of the next Meeting of Shareholders, in which their successors will be duly appointed. At the Meeting, it will be proposed to the Shareholders that eight (8) directors be elected.

None of the candidates is presently director of the Corporation. The management of the Corporation does not foresee either of the candidates being in a position of impossibility to exercise their functions as directors; however, should this be the case, for whatever reason, before the Meeting, the person designated by the management of the Corporation in the attached form of proxy reserve the right to vote, at their discretion, for another candidate, unless otherwise indicated in the form of proxy, to the effect that the Shareholder should abstain from exercising the right to vote of his Common Shares (pre-Transaction) with regards to the election of directors.

The following table presents, for each of the proposed candidates for a director's position, his name, municipality of residence, his age, position he would occupy and the functions he would perform within the Resulting Issuer, the main positions occupied within the last five (5) years and his professional background and the number and percentage of the Resulting Issuer's Common Shares that he will hold, directly or indirectly, after the materialisation of the Transaction.

Insofar that there is Closing of the Transaction, the candidates elected as directors at the Meeting will act as directors as of the Effective Date of the Transaction.

In the event where the Transaction is not approved, the Meeting of Axe will be adjourned immediately and the current directors will remain in function.

Unless instructions are given to decline to vote concerning the election of the following candidates, the person whose name appears in the form of proxy intends to vote at the meeting IN FAVOUR of the election of the following candidates.

Name and Municipality of Residence and Age	Position	Anticipated Number and Percentage of Common Shares (post-Transaction) Held or Controlled on completion of the Acquisition ⁽²⁾	
		Minimum Placement ⁽³⁾	Maximum Placement ⁽³⁾⁽⁴⁾
Sylvain Aird ⁽⁵⁾ Montréal (Québec) 47 years old	“Proposed Director” and Secretary	137,906 0.44%	137,906 0.39%
Marc-André Aubé ⁽⁶⁾ Ville Mont-Royal (Québec) 46 years old	“Proposed Director”	443,508 1.41%	443,508 1.27%
Pierre Ayotte Laval (Québec) 59 years old	“Proposed Director”, President and Chief Executive Officer (CEO)	2,433,600 7.72%	2,433,600 6.94%
Patrice Boily ⁽⁶⁾ Ste-Marguerite-du-Lac-Masson (Québec) 53 years old	“Proposed Director”	-	-
Alain Bureau ⁽⁵⁾⁽⁶⁾ Rio Hato (Panama) 49 years old	“Proposed Director”	197,134 0.62%	197,134 0.56%
Louis Doyle ⁽⁵⁾ Kirkland (Québec) 60 years old	“Proposed Director” and Chief Compliance and Security Officer (CSO)	197,134 0.62%	197,134 0.56%
Rafael Percopo Boisbriand (Québec) 50 years old	“Proposed Director” and R&D and Quality Control Officer (QP)	525,691 1.67%	525,691 1.50%
Francisco Perez Jr. Repentigny (Québec) 36 years old	“Proposed Director” and Chief Operating Officer	11,027,429 ⁽³⁾ 34.96%	11,027,429 ⁽³⁾ 31.47%

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective individuals.
- (2) Assuming none of the directors and officers will subscribe to the Placement.

- (3) Assuming the Common Shares issued in the scope of the Transaction (including Maximum Placement or the Minimum Placement, as the case may be).
- (4) Assuming no exercise of the Over-Allotment Option.
- (5) Expected member of the Governance Committee of the Corporation.
- (6) Expected member of the Audit Committee of the Corporation.

Summaries of the directors and officers of the Resulting Issuer, including their respective relevant work experience, principal occupation and educational background as well as information on the Board's committees' members can be found at Part V Section "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" of this Information Circular.

To the Corporation's knowledge, no director, officer or Promoter of the Resulting Issuer is, as of this day, or has been in the past ten years before the date, a director, Chief Executive Officer or Chief Financial Officer of the Corporation or of any other Company that was the subject of a cease trade or similar order, or an order that denied to the Corporation the access to any exemption under securities legislation for a period or more than 30 consecutive days and pronounced:

- (a) while that person was acting in that capacity; or
- (b) after the director or executive officer ceased to be a director or executive officer in the Corporation arising from an event arising while that person was acting in that capacity.

To the Corporation's knowledge, except for Pierre Monet, no proposed director, officer or Promoter of the Resulting Issuer:

- (a) is, as of this day, or has been within 10 years before this date, a director or executive officer of any other 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;
- (b) has, within the 10 years before this date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
- (c) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Pierre Monet was director of Malaga Inc. ("**Malaga**") starting in June 2007. In June 2013, Malaga filed a notice of intention to make a proposal pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada). These proceedings have the effect of imposing an automatic stay of proceedings that will protect Malaga and its assets from the claims of creditors and others while Malaga pursues its restructuring efforts. Malaga submitted a proposal dated October 4, 2013 to its creditors. Such proposal was accepted by the creditors pursuant to a vote held on December 13, 2013 and approved by a judgment of the Superior Court rendered on January 7, 2014.

APPOINTMENT OF NEW AUDITORS

Raymond Chabot Grant Thornton LLP has been the Corporation's auditors since September 30, 2008. At the Meeting, you will be asked to vote for the appointment of PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., as independent auditors of the Corporation until the next annual meeting.

Management of the Corporation proposes that PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. be nominated as auditors of the Corporation and that the directors of the Corporation be authorized to establish their remuneration.

Unless instructions are given to WITHHOLD A VOTE concerning the appointment of the new auditors, the persons whose names appear in the Instrument of Proxy intend to vote at the Meeting in favour of the appointment of PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. as auditors of the Corporation and to authorize the Directors to fix their remuneration.

Measures have been taken to assure that one or more representatives of PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. to be present at the Meeting. Representatives of PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. will have the occasion to discuss and answer pertinent questions.

In addition to performing the audit of the Corporation's consolidated financial statements, Raymond Chabot Grant Thornton LLP provided other services to the Corporation and invoiced the following fees for the Corporation's most recent completed financial year:

PROFESSIONAL FEES	FISCAL YEAR ENDED	
	2017	2016
Audit Fees ⁽¹⁾	\$20,322	\$21,234
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	\$1,248	\$1,500
All other Fees ⁽⁴⁾	-	-
TOTAL	\$21,570	\$22,734

Notes:

- (1) Refers to the aggregate professional fees invoiced by the Corporation's external auditors for audit services.
- (2) Refers to the aggregate professional fees invoiced for assurance and related services by the Corporation's external auditors that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under note (1) above.
- (3) Refers to the aggregate professional fees invoiced for professional services rendered by the Corporation's external auditors for tax compliance, tax advice and tax planning. These fees refer to various consultations with the external auditors relating to general taxation.
- (4) Refers to the aggregate professional fees invoiced for products and services provided by the Corporation's external auditors, other than the services reported under notes (1), (2) and (3) above.

APPROVAL OF THE STOCK OPTION PLAN

The current Stock option plan of the Corporation dated March 11, 2011. At the Meeting, Shareholders of Axe will be called to adopt a resolution to reserve a number of Common Shares under the Stock Option Plan not exceeding ten percent (10%) of the issued and outstanding Common Shares at the date of the Closing of Transaction in order to reflect real number of Options that may be granted upon the completion

of the Transaction for future grant of as many Options under the Stock Option Plan, subject to regulatory approval. The Stock Option Plan is attached as a schedule to this Information Circular and described in detail at Part V Section “*Information Concerning the Resulting Issuer – Stock Options*”.

As at the date of the Closing of Transaction, there will be 400,000 stock options granted (post-Transaction).

Shareholders are therefore asked to consider and, if appropriate, approve the following resolution, by a simple majority:

Unless instructions are given to decline to vote or to vote against concerning the following resolution, the persons whose name appear in the instrument of Proxy Intend to vote at the Meeting IN FAVOUR of the following resolution.

“

WHEREAS Axe wishes to reserve a number of Common Shares under the Stock Option Plan not exceeding ten (10%) of the issued and outstanding Common Shares at the date of the Closing of Transaction in order to reflect the number of Options that may be granted according to the issued and outstanding Common Shares upon the completion of the Transaction for future grant of as many Options under the Stock Option Plan;

WHEREAS there are currently 578,102 Common Shares (post-Transaction) reserved under the Stock Option Plan;

WHEREAS it is in the best interest of Axe to proceed with the said update;

BE IT RESOLVED:

1. to reserve a number of Common Shares under the Stock Option Plan not exceeding ten percent (10%) of the issued and outstanding Common Shares at the date of the Closing of Transaction in order to reflect the number of Options that may be granted according to the issued and outstanding Common Shares upon the completion of the Transaction for future grant of as many Options under the Stock Option Plan, subject to regulatory approval;
2. The Stock Option Plan and all granting, cancellation and exercise of Options since the adoption of the Stock Option Plan are and they are hereby approved, ratified and confirmed according to the terms and conditions approved by the Board of Directors; and
3. Any director or officer is hereby authorized, for and on behalf of the Corporation, to execute and deliver any documents, instruments or other writings and to do all other acts as may be necessary or desirable to give effect to the foregoing resolution.

”

PART II - INFORMATION CONCERNING THE TRANSACTION

TRANSACTION

The Corporation is qualifying for listing on the CSE following the Closing of the Transaction. The Exchange has issued its conditional approval of the listing of the Common Shares and the Transaction on October 19, 2018. Concurrently with the Acquisition, preceded by the Consolidation, the Corporation will close the Placement of a gross proceed of a minimum of \$2,250,000 and maximum of \$4,000,000 with several accredited investors (the Acquisition and the Placement collectively referred to as the “**Transaction**”). These stages of the Transaction will be followed by a name change of the Corporation to “Terranueva Corporation / Corporation Terranueva”.

A Finder’s fee, in connection with the Acquisition, will consist in the issuance of 1,250,000 Common Shares (post-Transaction) at a deemed price of \$0.50 per share, and will be payable to the Finder, which is not a Non-Arm’s Length Party, subject to applicable securities regulations.

The Closing of the Minimum Placement is a condition of the Transaction which is also subject to Regulatory Approvals. The Consolidation, the Acquisition and the Minimum Placement constitutes, once completed, the Transaction.

According to Share Purchase Agreement, the Corporation will agree to acquire all of Terranueva Pharma Shares for a consideration of \$10,930,000 payable by the issuance of 21,860,000 Common Shares at a deemed price of \$0.50 per Common Share.

The Transaction does not constitute a Non-Arm’s Length Transaction within the meaning of applicable regulations.

Following the Closing of the Transaction and the Closing of the Minimum Placement (including the Finder’s Fees), a maximum of 31,543,290 Common Shares of the Resulting Issuer will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 55.91% of the total, will be held by Related Persons of the Resulting Issuer and 13,908,624 Common Shares of the Resulting Issuer representing approximately 44.09% of the Common Shares will be held by public Shareholders, including former Shareholders of Axe.

Following the Closing of the Transaction and the Closing of the Maximum Placement (including the Finder’s Fees), a maximum of 35,043,290 Common Shares of the Resulting Issuer (36,243,290 Common Shares of the Resulting Issuer if the Over-Allotment Option is exercised in full) will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 50.32% of the total (48.66% of the total if the Over-Allotment Option is exercised in full), will be held by Related Persons of the Resulting Issuer and 17,408,624 Common Shares of the Resulting Issuer representing approximately 49.68% of the Common Shares of the Resulting Issuer (18,608,624 Common Shares of the Resulting Issuer representing 51.34% of the total if the Over-Allotment Option is exercised in full) will be held by public Shareholders, including former Shareholders of Axe.

Consolidation

As part of the Acquisition and the Transaction, the Corporation will proceed to a reverse split of the Common Shares on a ratio of 1 new share per 16 previous shares (the “**Consolidation**”) subject to the approval of Shareholders of Axe.

Closing of the Placement

Concurrently with the Closing of the Transaction, the Corporation intends to complete, subject to the approval of the Exchange and the Regulatory Approvals, a private placement with several accredited investors. This Placement provides for the issuance of a minimum of 4,500,000 units at a price of \$0.50 per unit (“Unit”) for gross proceeds of \$2,250,000 and a maximum of 8,000,000 Units for gross proceeds of \$4,000,000 as well as the payment of a Commission. Each Unit will consist of one (1) Common Share (post-Transaction) and one half (1/2) of a Common Share purchase warrant (“Warrant”). Each whole Warrant will entitle the holder thereof, subject to an adjustment in certain circumstances, to acquire one (1) additional Common Share (post-Transaction) of the Corporation at a price of \$0.65 for a period of 18 months from the Closing of the Placement. Each Unit, Common Share and Warrant issued pursuant to the Placement will be subject to a mandatory hold period of four (4) months and one (1) day from the Closing of the Placement. As part of the Placement, the Corporation has granted an Over-Allotment Option. If the Agent exercises the Over-Allotment Option in full, the gross proceed of the Placement will be \$4,600,000.

The Corporation shall pay a commission to any intermediary for such Placement (“Commission”), which shall consist of a cash commission of up to 8% of the gross proceed of the Placement raised through the intermediary and a number of share purchase warrants (“Agent Warrants”) equal to up to 8% of the number of Units issued under the Placement through the intermediary. Each Agent Warrant will entitle the holder thereof to acquire one Common Share (post-Transaction) of the Corporation at a price of \$0.50 for a period of 18 months from the Closing of the Placement. Each Agent Warrant and underlying Common Share issued pursuant to the Commissions will be subject to a mandatory hold period of four (4) months and one (1) day from the Closing of the Placement.

Rights Offering

The Corporation will propose an offering of Rights to each Shareholders of Axe of record as at 5:00 p.m. (Montréal time) on October 25, 2018 pursuant to the rights offering prospectus exemption provided under Section 2.1 of Regulation 45-106 on the basis of one (1) Right for every sixteen (16) Common Shares (pre-Transaction) held. Each Right will entitle the holder thereof to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of ninety (90) days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular. Should all Shareholders of Axe that are admissible to exercise their Rights, a maximum of 3,933,290 Common Shares (post-Transaction) could be issued.

Final Press Release

As soon as the Final Press Release is issued, Axe shall proceed with the Consolidation and change its name. The Final Press Release will be issued when the Exchange issues the final approval. The Exchange has issued its conditional approval of the listing of the Common Shares and the Transaction on October 19, 2018. The Exchange will generally not issue the final approval until the Exchange has received:

- (a) confirmation of the Closing of the Transaction; and
- (b) all post-meeting or final documentation, as applicable, otherwise required to be filed with the Exchange.

The Exchange, in its sole discretion, may not approve the listing of the Resulting Issuer where:

- (a) the Resulting Issuer fails to satisfy the applicable initial listing requirements of the Exchange;
- (a) there is any other reason for denying acceptance of this Transaction.

Business of the Resulting Issuer

If the Transaction is completed, the Resulting Issuer will continue to operate the Terranueva Pharma business and operations, namely to produce medicinal and recreational cannabis to the highest standards in terms of effectiveness, quality and stability, which are explained in greater detail in Part IV Section “*Information Concerning Terranueva Pharma – Description of the Business of Terranueva Pharma*” of this Information Circular.

Initial Agreement

The terms and conditions of the Initial Agreement entered into between the Corporation, the Shareholders of Terranueva Pharma and Terranueva Pharma have been determined by way of arm’s length negotiations. The value of the Consideration Shares for the Terranueva Pharma Shares has been determined by way of negotiations between Axe, the Shareholders of Terranueva Pharma, and Terranueva Pharma. Terranueva Pharma, the Shareholders of Terranueva Pharma and the Corporation are not in conflict of interests and are dealing at arm’s length. None of the parties to the Transaction is a Non-Arm’s Length Party.

Other Conditions

The completion of the transactions pursuant to the Share Purchase Agreement to be entered into among Axe, Terranueva Pharma and the Vendors is also subject to the satisfaction of various conditions, including the Final Press Release, the Regulatory Approvals and the Minimum Placement.

Escrowed Shares

All Common Shares issued in the scope of the Transaction that may be acquired by a Related Person of the Resulting Issuer (determined after giving effect to the Transaction) or by a Non Arm’s Length Party with the Corporation within the meaning of the Exchange’s policies and the National Policy 46-201 – *Escrow for Initial Public Offerings*, may be escrowed and be released according to a schedule of release of escrowed shares which will start following the issuance of the Final Press Release. At its discretion, the Exchange may require additional restrictions on all or part of the securities issued to any other party jointly or concurrently to the Transaction or in the scope of the later, the release conditions to be governed by the Exchange’s policies.

As required by the Exchange, an Exchange Escrow Agreement will be entered into among Computershare, Sylvain Aird, Francisco Junior Perez, Fiducie Castillo, GMTN Inc., Alain Bureau, Pierre Monet, Pierre Ayotte, Louis Doyle, Marc-André Aubé and Esquilin S.E.N.C., pursuant to which the 17,634,666 Common Shares (post-Transaction) of the Resulting Issuer held by those Related Persons of the Resulting Issuer will be escrowed (collectively with the other securities of the Resulting Issuer that will be required to be escrowed, the “**New Escrowed Shares**”) with Computershare.

See more details at Part V Section “*Information Concerning the Resulting Issuer Escrowed Securities*” of this Information Circular.

Information Concerning Axe, Terranueva Pharma and the Resulting Issuer

Further information concerning Terranueva Pharma will be found in details under Sections “*Information Concerning Terranueva Pharma*”, “*Information concerning Terranueva Pharma*” and “*Information Concerning the Resulting Issuer*”.

RISK FACTORS

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Information Circular. See specific Part IV Section “*Information Concerning Terranueva – Risk Factors*” in conjunction with the following.

If any such risks actually occur, the business, financial condition, liquidity and results of its operations could be materially adversely affected and may impact negatively the price of the Corporation’s Common Shares. The following are certain factors relating to the Transaction, the Placement and the Resulting Issuer’s business which prospective investors should carefully consider before deciding whether to vote at the Meeting.

Acquisition Risks

The use of proceeds and business strategy of the Resulting Issuer is to seek new opportunities in the cannabis space, including acquiring existing companies, businesses or properties in which to build new facilities. In pursuit of such opportunities, the Resulting Issuer may fail to select appropriate businesses or properties, to negotiate appropriate acquisition terms or to conduct sufficient due diligence to determine all related liabilities and regulatory requirements. In addition, Terranueva Corporation may encounter difficulties in transitioning the acquired business or properties into its existing business. Terranueva Corporation may fail to realize cost savings, synergies and benefits from any acquisition. The Resulting Issuer cannot provide assurance that it will complete any acquisition that it pursues on favorable terms, or that any such acquisitions will ultimately benefit the business.

Unfavourable Publicity or Consumer Perception

The Resulting Issuer believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Terranueva Corporation’s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Resulting Issuer’s products and the business, results of operations, financial condition and cash flows of the Resulting Issuer. The Corporation’s dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for products, and the business, results of operations, financial condition and cash flows of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Resulting Issuer’s products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers’ failure to consume such products legally, appropriately or as directed.

Factors Which May Prevent Achievement of Growth Targets

The Resulting Issuer is currently in the development stage. There is a risk that additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to Terranueva Corporation and its licensed suppliers:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following: (i) actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operates; (iv) addition or departure of the Resulting Issuer's executive officers and other key personnel; (v) release or expiration of transfer restrictions on outstanding Common Shares; (vi) sales or perceived sales of additional Common Shares; (vii) operating and financial performance that vary from the expectations of management, securities analysts and investors; (viii) regulatory changes affecting the Resulting Issuer's industry generally and its business and operations; (ix) announcements of developments and other material events by the Resulting Issuer or its competitors; (x) fluctuations to the costs of vital production materials and services; (xi) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (xii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors; (xiii) operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies; (xiv) and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting

Issuer's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

Holding Corporation Status

The Resulting Issuer is, at least initially upon completion of the Acquisition, a Holding Company and essentially all of its operating assets are the capital stock of its subsidiary. As a result, investors in the Corporation are subject to the risks attributable to its subsidiary. As a Holding Company, the Resulting Issuer conducts substantially all of its business through its subsidiary, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiary and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be 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 Resulting Issuer's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

Dividends

The Resulting Issuer's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Resulting Issuer's businesses. Therefore, the Resulting Issuer does not anticipate paying cash dividends on Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Resulting Issuer and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Resulting Issuer may deem relevant. As a result, investors may not receive any return on investment in the Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer

Liquidity Risk

The Resulting Issuer's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Resulting Issuer has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Resulting Issuer's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. Access to public and private capital and financing may be negatively impacted by many factors including global volatility and market turmoil generally. Such factors may impact the Resulting Issuer's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility and

market turmoil persist, the Resulting Issuer's operations and financial condition could be adversely impacted.

The Resulting Issuer Has Discretion in the Use of the Net Proceeds from the Placement

Management of the resulting Issuer will have discretion concerning the use of proceeds of the Placement as well as the timing of their expenditures. As a result, investors will be relying on the judgment of management as to the application of the proceeds of the Placement. The Resulting Issuer may use the net proceeds of the Placement other than as described under the heading “*Use of Proceeds*” if they believe it would be in the Resulting Issuer’s best interest to do so and in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds of the Placement are not applied effectively, the Resulting Issuer’s results of operations may suffer

Risks Inherent in an Agriculture Business

Terranueva Corporation’s business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Terranueva Corporation will grow its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products

Risks Relating to the Cannabis Industry

The Cannabis Industry is Subject to Competition

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Terranueva Corporation.

Because of the early stage of the industry in which Terranueva Corporation operates, the Resulting Issuer expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Terranueva Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. Terranueva may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Terranueva Corporation.

Regulatory Risks

The Resulting Issuer will operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. The Resulting Issuer’s ability to grow, store and sell medical CRA in Canada with respect to the Facility is dependent on obtaining applicable Licences from Health Canada and a CRA License from the Canada Revenue Agency and the need to maintain Licences and the CRA License in good standing. Failure to: (i) comply with the requirements of any Licences or a CRA License; and (ii) maintain any required License or a CRA License would have a material adverse impact on the business, financial condition and operating results of the Terranueva Corporation..

The Resulting Issuer will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of its operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Terranueva Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Terranueva Corporation's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Resulting Issuer's earnings and could make future capital investments or the Resulting Issuer's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Licensing Requirements

The market for cannabis (including medical marijuana) in Canada is highly regulated. Health Canada is the primary regulator of the industry as a whole and cultivators, producers and packagers of cannabis products are also required to obtain a CRA License from the Canada Revenue Agency.

The applicable Cannabis Laws aim to treat cannabis like any other narcotic by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer is subject to stringent licensing requirements which can be summarized as follows:

Screening: During screening, the application and supporting documents are assessed for completeness, legibility and the ability to be further assessed.

Review and security clearance: Once an application has passed the screening stage, and security clearance applications are being processed, the application will undergo a detailed review to verify that the requirements are met. Health Canada works in conjunction with the RCMP on security clearance applications.

Pre-licensing and approval: Once Health Canada completes the detailed review of the submitted application, Health Canada provides the applicant with a confirmation of readiness email. This email prompts the applicant for information to demonstrate that there is a functioning Facility at the site address. The applicant is required to provide a site evidence package with documentation including, but not limited to, detailed video walkthroughs of both the interior and exterior of the site, and site and building plans including descriptions and photographs that clearly detail Facility completion.

Pre-Licence inspection: Health Canada inspectors may be deemed necessary prior to further licensing decisions. If an inspection is required, the inspection team will contact the applicant to schedule the pre-Licence inspection. In the case where an on-site Pre-Licence inspection is not required, the Licence issuance will be based on the thoroughness of information found in the site evidence package.

As the regulatory requirements for each Licence type vary, so do the requirements for the site evidence package. When an applicant reaches this stage in the application process, they are informed of what specific information is required.

Issuance of Licence: Once all information has been reviewed, including the results and observations from a Pre-Licence inspection, if necessary, and all security clearances have been granted, an initial Licence for authorized activities is issued. A hard copy of the Licence as well as an accompanying issuance letter detailing any conditions around the issued Licence is mailed to the identified mailing address. In addition, all security-cleared key personnel are sent letters regarding the status of their security clearances for that site, under that application. Following issuance of the Licence, Health Canada holds a teleconference with the new Licence holder to discuss the Licence, including any conditions. Licence holders must ensure that the quality of cannabis products they produce meet all applicable requirements. When a Licence holder is first licenced, activities may be limited, particularly prior to being authorized to conduct the activity of sale for medical purposes. This graduated licensing is for the purpose of verifying that cannabis products intended for sale meet all of the quality standards set out under the Cannabis Regulations.

Any applicant seeking a CRA License is also subject to stringent licensing requirements.

The market for cannabis (including medical marihuana) in Canada is regulated by the Cannabis Act and other applicable Cannabis Laws. Health Canada is the primary regulator of the industry as a whole. The Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

The Resulting Issuer' ability to grow, store and sell cannabis for medical purposes in Canada is dependent on obtaining the License. The License is subject to ongoing compliance, reporting requirements and renewal and there is no guarantee that Health Canada will renew the Licence. Should the Resulting Issuer fail to obtain or comply with the requirements of the License there would be a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Government licenses are currently, and in the future may be, required in connection with the Resulting Issuer's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Resulting Issuer may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements. The below table provides a general overview of the licensing process as described by Health Canada.

Environmental Regulations and Risks

Terranueva Corporation's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Terranueva Corporation's operations.

Government approvals and permits are currently, and may in the future, be required in connection with Terranueva Corporation's operations. To the extent such approvals are required and not obtained, Terranueva may be curtailed or prohibited from the proposed production of medical cannabis or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Resulting Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Changes in Laws, Regulations and Guidelines

Terranueva Corporation's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. To the knowledge of management, Resulting Issuer is currently in compliance with all such laws. That said, any changes to such laws, regulations and guidelines are matters beyond the control of the Resulting Issuer that may cause adverse effects to Resulting Issuer's operations and financial conditions.

The risks to the business of Terranueva Corporation represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the Cannabis Laws by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Terranueva Corporation's products and could materially and adversely affect the business, financial condition and results of operations for Terranueva Corporation.

The Ministerial Order regarding the cannabis tracking system was published in the Canada Gazette, Part II, on September 5, 2018. It came into force on October 17, 2018. All those with a federal licence to cultivate and process cannabis, and provinces and territories, are required to submit monthly tracking reports to the Minister of Health..

While the impact of this regime is uncertain and highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of court decisions, it is not expected that any such changes would have an effect on Terranueva Corporation's operations that is materially different than the effect on similar-sized companies in the same business as Terranueva Corporation.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Terranueva Corporation's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Terranueva's earnings and could make future capital investments or Terranueva Corporation's operations uneconomic.

Restrictions on Sales Activities

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, the Canada Revenue Agency provincial governments, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Resulting Issuer's ability to conduct sales and marketing activities and could have a material adverse effect on Resulting Issuer's respective businesses, operating results and financial conditions.

Competition

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Resulting Issuer. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

The government of Canada has only issued to date a limited number of Licenses under the applicable Cannabis Laws. There are, however, several hundred applicants for Licenses. The number of Licenses granted could have an impact on the operations of the Resulting Issuer. Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. According to Health Canada there were 120 Licensed Producers as of September 30, 2018¹. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

Competition may increase as well due to the fact that the recreational market was in Canada legalized on October 17, 2018. The Resulting Issuer will be in direct competition with other producers to become a provider of the SQDC in Québec or other state-controlled corporations in other Canadian provinces.

Risks Relating to Terranueva

Negative Cash Flow from Operations

During the fiscal year ended September 30, 2017 and the three and nine (9) month periods ended June 30, 2018, the Resulting Issuer had negative cash flows from operating activities. Although the Resulting Issuer anticipates it will have positive cash flows from operating activities in future periods, to the extent that the Resulting Issuer has negative cash flows in any future period, certain of the net proceeds from the Placement may be used to fund such negative cash flows from operating activities, if any.

Facility is not Licensed

Terranueva Corporation's ability to cultivate, store and sell medical or recreational cannabis in Canada is dependent on a license (the "**License**"), to Terranueva Corporation designating it as a "Licensed Producer" and obtaining a CRA License from Canada Revenue Agency. Terranueva has applied to Health Canada to become a Licensed Producer for the Facility. It must await the granting of relevant Licences or permits from Health Canada to apply for a CRA License. Terranueva Corporation or its founder has not yet received a License for the Facility. However, Terranueva Corporation is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. Terranueva Corporation's ability to commence production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of medical or recreational cannabis at the Facility is dependent on obtaining a License from Health Canada and a CRA License from the Canada Revenue Agency and there can be no assurance that Terranueva will obtain them for the Facility.

¹ <https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approves-medicales.html#a2>.

The Resulting Issuer is dependent on existing or future intellectual property, and failure to protect the rights to use that intellectual property could adversely Terranueva's future growth and success.

The Resulting Issuer's failure to protect its existing or future intellectual property rights may result in the loss of exclusivity or the right to use the brands and technologies to which Terranueva Corporation has acquired or internally developed. If Terranueva does not adequately ensure the freedom to use this intellectual property Terranueva corporation may be subject to damages for infringement or misappropriation, and/or be enjoined from using such intellectual property. In addition, it may be difficult for Terranueva to enforce certain of its intellectual property rights, if any, against third parties should such third parties inappropriately acquire interests in Terranueva Corporation's intellectual property rights by filing unauthorized trademark applications in foreign countries to register Terranueva Corporation's marks because of their familiarity with its business in the United States. Any potential intellectual property litigation could result in significant expense to Terranueva Corporation, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of Terranueva Corporation's technical and management personnel, whether or not such litigation is resolved in the favor of Terranueva Corporation. In the event of an adverse outcome in any such litigation, Terranueva Corporation may, among other things, be required to: pay substantial damages; cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue processes incorporating infringing technology; or obtain licenses to the infringing intellectual property.

Scientific research related to the benefits of cannabis remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in the relatively early stages, however, clinical trials are being held at a steadily increasing pace and certain applications have even been approved for use in children. Any statements concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made herein are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although Terranueva Corporation believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact Terranueva Corporation.

Reliance on securing Sales agreements.

Although Terranueva Corporation's early output is a very small proportional amount, and produced in times of forecasted shortage supply, sales agreements cannot be secured until a full production licence is granted to Terranueva Corporation by Health Canada. Consequently, Terranueva Corporation may have difficulty selling its produced inventory at the target priced modelled in its revenue forecast.

For more specific Risk Factors related to Terranueva Corporation See Part IV Section "Information Concerning Terranueva – Risk Factors"

PART III – INFORMATION CONCERNING AXE

CORPORATE STRUCTURE

The Corporation was incorporated under the CBCA on October 17, 2007 under the name “Diamond Frank Exploration Inc. / Exploration Diamond Frank Inc.”, which was changed to “Axe Exploration Inc.” on April 2, 2013.

At the Meeting, it will be proposed that Shareholders consider, for adoption, a special resolution authorizing the change of Axe's name to “Terranueva Corporation / Corporation Terranueva.” upon completion of the Transaction and Exchange’s approval.

The registered office of the Corporation is located at 255, Curé-Labelle Blvd, Suite 204, Laval, Québec H7L 2Z9, Canada. Assuming completion of the Transaction, the principal place of business of the Resulting Issuer will be located at 803, L’Ange-Gardien Blvd, L’Assomption, Québec, J5W 1T3, Canada.

GENERAL DEVELOPMENT OF THE BUSINESS OF AXE

Axe’s history

Following the announcement of the Transaction, on July 25, 2018, trading in the Common Shares of the Corporation was halted by the TSX-V.

Prior to the Transaction, the Corporation was primarily engaged in the acquisition and exploration of mineral properties located in Canada. The Corporation’s properties included the non-material properties of Destorbelle, Gold Peak, Commandant and Unique. The Corporation has not capitalized exploration work during the year ended on September 30, 2017 and the book value of the four (4) properties as of September 30, 2017 was nominal. The Corporation did not earn any revenues and was considered to be in the exploration stage.

Initially, the Corporation filed an initial public offering prospectus dated December 21, 2007 with and accepted by the TSX-V, and filed with and receipted by the Ontario and British Columbia Securities Commissions and the Autorité des marchés financiers effective December 27, 2007, pursuant to the provisions of the Ontario, British Columbia and Québec Securities Acts. The Common Shares of the Corporation were listed and admitted to trading on the TSX-V on January 24, 2008.

The Corporation was created as a wholly-owned subsidiary of Typhoon Exploration Inc (“**Typhoon**”) which transferred all of its interests held in two diamond exploration properties located in Québec in exchange for 2,000,000 common shares of Diamond Frank Exploration Inc. all of which were distributed as a dividend to Typhoon shareholders on record at the close of business on January 28, 2008, on the basis of one (1) Diamond Frank share for every 41 Typhoon share held.

Initial Agreement

In accordance with Axe’s management objective to identify and evaluate businesses and assets with a view to complete a Transaction, the Corporation initiated negotiations with Terranueva Pharma and entered into an Initial Agreement dated July 24, 2018. Concurrently with the Transaction, the Corporation has agreed to complete the Minimum Placement. The Transaction consists in the Acquisition and the Placement followed by a change of the Corporation’s name. Consideration for the Transaction is valued at \$10,930,000. The Common Shares to be issued as payment for the consideration will be issued at a price of \$0.50 per Common Share. Furthermore, as part of the Acquisition and the Transaction, the Corporation

will proceed to a reverse split of the Common Shares on a ratio of one (1) new share per 16 previous shares. The whole is subject to the approvals of the Shareholders of Axe and the Exchange's and the Regulatory Approvals. The Closing of the Acquisition, including the Consolidation, and the Closing of the Minimum Placement are intended to constitute the Transaction of Axe.

Resulting Issuer

Following the completion of the proposed Transaction, Terranueva Pharma's related activities and operations, as described below under "Information Regarding Terranueva Pharma" and "Information Regarding the Resulting Issuer", will constitute all of the activities and operations of the Resulting Issuer.

Rights Offering

The Corporation will propose an offering of Rights to each Shareholders of Axe of record as at 5:00 p.m. (Montréal time) on October 25, 2018 pursuant to the rights offering prospectus exemption contained in Section 2.1 of Regulation 45-106 on the basis of one (1) Right for every sixteen (16) Common Shares (pre-Transaction) held. Each Right will entitle the holder thereof to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of ninety (90) days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular. Should all Shareholders of Axe admissible exercise their Rights, a maximum of 3,933,290 Common Shares (post-Transaction) could be issued.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

Please refer to the interim Management Discussion and Analysis of the Corporation for the 9-month period ended June 30, 2018 and the annual Management Discussion and Analysis of the Corporation for the 12 months ended September 30, 2017, 2016 and 2015 which are incorporated herein by reference. Those Management Discussion and Analysis reports must be read in conjunction with the information presented in this Information Circular and in the audited annual financial statements of the Corporation for the financial years ended on September 30, 2017, 2016 and 2015 and the unaudited interim financial statements of the Corporation for the 9-month period ended June 30, 2018 prepared in accordance with IFRS and attached as schedule to the Information Circular.

The above-mentioned Management Discussion and Analysis of the Corporation are available on SEDAR at www.sedar.com.

DESCRIPTION OF THE SECURITIES

General

The following description of the authorized share capital of the Corporation is subject to the detailed provisions contained in its Articles. As at the date hereof, 62,932,645 Common Shares (pre-Transaction) are issued and outstanding as fully paid and non-assessable shares. A total of 400,000 Options of the Corporation giving right to acquire 400,000 Common Shares (post-Transaction) are currently granted to the directors and officers of the Corporation.

Common Shares

The Corporation is authorized to issue unlimited number of Common Shares without nominal value. The holders of Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, one vote per share at meetings of the shareholders of the Corporation and upon liquidation, dissolution or winding up the Corporation, to receive such assets of the Corporation as are distributable to the holders of Common Shares. All Common Shares that are outstanding after Closing of the Transaction will be fully paid and non-assessable.

Following the Closing of the Transaction and the Closing of the Minimum Placement (including the Finder's Fees), a maximum of 31,543,290 Common Shares of the Resulting Issuer will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 55.91% of the total, will be held by Related Persons of the Resulting Issuer and 13,908,624 Common Shares of the Resulting Issuer representing approximately 44.09% of the Common Shares will be held by public shareholders, including former Shareholders of Axe.

Following the Closing of the Transaction and the Closing of the Maximum Placement (including the Finder's Fees), a maximum of 35,043,290 Common Shares of the Resulting Issuer (36,243,290 Common Shares of the Resulting Issuer if the Over-Allotment Option is exercised in full) will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 50.32% of the total (48.66% of the total if the Over-Allotment Option is exercised in full), will be held by Related Persons of the Resulting Issuer and 17,408,624 Common Shares of the Resulting Issuer representing approximately 49.68% of the Common Shares of the Resulting Issuer (18,608,624 Common Shares of the Resulting Issuer representing 51.34% of the total if the Over-Allotment Option is exercised in full) will be held by public shareholders, including former Shareholders of Axe.

Preferred Shares

There are no authorized class of Preferred Shares in the provisions of the Corporation's constituent documents.

CAPITALISATION

The following table sets forth the consolidated capitalisation of Axe on an audited basis as of September 30, 2017, on an unaudited basis as of June 30, 2018 as well as the unaudited pro forma capitalisation of the Resulting Issuer following the Closing of the Transaction.

Designation of Securities Capital	Amount Authorized	Amount outstanding as at September 30, 2017	Amount outstanding as at June 30, 2018	Amount outstanding as at the Closing of the Minimum Placement⁽¹⁾	Amount outstanding as at the Closing of the Maximum Placement⁽¹⁾⁽²⁾
Share Capital	--	\$7,753,754	\$7,757,514	\$5,350,205	\$6,662,705
Common Shares ⁽³⁾	Unlimited	57,357,445 Common Shares (pre-Consolidation)	57,432,645 Common Shares (pre-Consolidation)	32,876,623 Common Shares of the Resulting Issuer (post-Consolidation)	36,376,623 ⁽⁴⁾ Common Shares of the Resulting Issuer (post-Consolidation)
Contributed Surplus and conversion options	--	\$1,092,005	\$1,247,945	\$528,707	\$791,207
Deficit	--	\$7,710,196	\$8,161,334	\$2,363,826	\$2,538,826
Shareholders Equity (negative)	--	\$1,136,283	\$844,125	\$3,515,086	\$4,915,086
Long-term debt	--	\$-	\$-	\$3,610,009	\$3,610,009
Total debt	--	\$-	\$-	\$3,610,009	\$3,610,009
Equity and Total debt	--	\$1,136,283	\$844,125	\$7,276,080	\$8,525,095

Notes :

- (1) Relying upon the unaudited pro forma financial statements of the Corporation as of July 31, 2018 and outstanding as of October 22, 2018 and the financial conditions of the Corporation assuming the Completion of the Transaction and, as the case may be, the Closing of the Minimum Placement or the Closing of the Maximum Placement. See note 2 of the pro forma financial statements of the Corporation, attached to this Information Circular for assumptions and adjustments.
- (2) Assuming no exercise of the Over-Allotment Option.
- (3) See Part V Section "Fully Diluted Share Capital".
- (4) 37,576,623 Common Shares of the Resulting Issuer if the Over-Allotment Option is exercise in full.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Corporation and based on the existing information, no person holds, directly or indirectly, as beneficial owner or registered holder, more than 10% of the issued and outstanding Common Shares. See Part V "Principal Shareholders of the Resulting Issuer" for information on the principal Shareholders of the Resulting Issuer.

DIRECTORS, OFFICERS AND PROMOTERS

General

The following table shows the names, province of residence and ages of the directors and officers of the Corporation, their position and offices with the Corporation, the starting date as a director of the Corporation and the number and percentage of Common Shares (pre-Transaction) held in the Corporation:

Name, Municipality of Residence and Age	Starting Date as a director of the Corporation	Current Position with the Corporation	Number of Common Shares (pre-Transaction) ⁽¹⁾
Pascal Ducharme ⁽²⁾ Québec, Canada Age: 49	March 11, 2009	Director	140,731 0.22%
Claude Lavoie ⁽²⁾ Québec, Canada Age: 55	August 7, 2012	Director	Nil
David Mc Donald Québec, Canada Age: 60	October 17, 2007	President, Chief Executive Officer (CEO) and Director	5,500,000 8.74%
Johanne Moreau ⁽²⁾ Québec, Canada Age: 52	March 28, 2013	Chief Financial Officer (CFO) and Director	Nil

Notes:

- (1) The aforementioned Directors have themselves provided the information relating to the Common Shares held directly or indirectly by them or over which they exercise control.
- (2) Messrs. Ducharme and Lavoie are independent directors of the Corporation and are with Mrs. Moreau, members of the Audit Committee.

Mr. Ducharme is a businessman from Boisbriand, Québec. He has been working in the food industry for the past 30 years. In 1996, he founded his own company which specializes in the distribution of food products, serving the Greater Montreal region and its surroundings.

Mr. Lavoie, a soldier by profession, worked for the Government of Canada from 1983 to 2015, and has completed several mandates abroad in Europe, Bosnia-Herzegovina, Africa and Afghanistan. After being promoted at different positions in Valcartier and St-Jean-sur-Richelieu, he recently returned to Québec as a Project Manager for the Construction Engineering division. The Governor-General of Canada has honored Mr. Lavoie with the Order of Military Merit, which recognizes outstanding service in the Canadian Armed Forces. He was also the recipient of two medals awarded by the United States Army, for distinguished service.

Mr. Mc Donald has more than 30 years of experience in the financial and mining exploration industries of Abitibi, the Northwest Territories, James Bay and South America. He has been President and CEO of Axe Exploration Inc. since 2007 and President and CEO of Typhoon Exploration Inc. since 2003.

Ms. Moreau has been working in accounting for 30 years. With experience in both large and small businesses, she held various positions in accounting and in management. She joined the team at Axe in 2010 and has been its Chief Financial Officer since 2013.

STOCK OPTION PLAN OF AXE

Options are subject to the Stock Option Plan of the Corporation. Under the actual Stock Option Plan, options to purchase shares are granted to directors, officers, employees and consultants of the Corporation in order to encourage them to contribute in achieving its goal of increasing shareholder value. The Board of Directors determines which person is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options. The Board of Directors make these decisions subject to the Stock Option Plan and, where applicable, the policies of the Exchange. (See more description in Part III - “*Directors and Executive Management Compensation - Long Term Incentive Plans*”).

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term cannot exceed 10 years from the date of the grant.

DIRECTORS AND EXECUTIVE MANAGEMENT COMPENSATION

Compensation Discussion & Analysis

This discussion describes the Corporation’s compensation program for each person who acted as Chief Executive Officer (“**CEO**”), Chief Financial Officer (“**CFO**”) and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and the CFO, whose total compensation was more than \$150,000 during the Corporation’s last financial year (each a “**Named Executive Officer**” or “**NEO**” and collectively the “**Named Executive Officers**”). This section will address the Corporation’s philosophy and objectives and the process the Board of Directors follows in deciding how to compensate the Named Executive Officers.

Compensation Program Philosophy

The Corporation is presently generating no income. In light of the Corporation’s current stage of development, it does not have a formal compensation program. The Board of Directors meets to discuss and determine management compensation without reference to formal criteria. The general objective of the Corporation’s compensation is to:

- a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view of increasing long-term shareholder value;
- b) align management’s interests with long-term interests of shareholders;
- c) provide a compensation package that is commensurate in order to enable the Corporation to attract and retain talent; and
- d) ensure that the total compensation package is designed in a manner that takes into account the constraints under which the Corporation operates by virtue of the fact that it is a company without a history of earnings.

Compensation Process

The compensation of the Named Executive Officers is administered by the Corporation’s Board of Directors. The Corporation does not have a formal policy with respect to the remuneration of its Named Executive Officers. The decisions are made pursuant to Board discussions.

Base Salaries

The Named Executive Officers receive a base salary which is based primarily on the level of responsibility of the position, the qualifications and experience of the officer and the market conditions with which the Corporation is evolving.

The base salaries of the Named Executive Officers are established to ensure they consider the following factors: the market and economic conditions, the levels of responsibility and accountability of each NEO, the skill and competencies of each individual, retention considerations and the level of demonstrated performance. The Board of Directors establishes what it considers to be a fair and responsible compensation package, taking into account the contribution of the NEO to the Corporation's long-term growth and the Board of Directors' knowledge of remuneration practices in Canada. Except for the CEO's fees which is paid to his management corporation as per the service agreement entered into (which has an indeterminate term), the salaries are thereafter reviewed annually by the Board of Directors to ensure that they still meet those guidelines. The service agreement setting the fees for the CEO was reviewed and approved by the Board of Directors.

Variable Cash Incentive Awards - Bonuses

The Board of Directors' philosophy with respect to executive officer bonuses is to align the issuances of bonuses with the performance of the Corporation, established at the discretion of the Board of Directors, and the relative contribution of each of the executive officers, including the CEO, to that performance. During the fiscal year ended September 30, 2017, the Board of Directors did not approve the payment of any bonuses for the Named Executive Officers.

Long Term Incentive Plans

The Corporation provides long term incentive compensation to its executive officers through the Stock Option Plan. The Corporation has established a formal Stock Option Plan under which options to purchase shares are granted to directors, officers, employees and consultants of the company in order to encourage them to contribute in achieving the company's goal of increasing shareholder value. The Board of Directors determines which NEO (or other person) is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options. The Board of Directors makes these decisions subject to the existing Stock Option Plan and, where applicable, the policies of the TSX-V.

Restrictions

The number of shares reserved for issuance to an individual must not exceed 5% of the number of issued and outstanding shares of the Corporation share capital within a period of one year (on a non-diluted basis) less the aggregate number of shares already reserved for issuance to such person under any other stock option granted as an incentive or compensation.

Term

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term cannot exceed 10 years from the date of the grant.

Group Benefits/Perquisites

The officers of the Corporation do not benefit from any life, medical, long term disability other insurance. None of the officers benefit from any retirement plan whatsoever.

Risk Considerations

The Board is aware that compensation policies and practices are likely to have consequences - albeit unintentional - in terms of risks.

The Board will regularly review the consequences of certain risks that might be associated with such policies and practices, all in order to identify practices that could influence a Named Executive Officer to expose the Corporation to undue risk. The Corporation has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Corporation's securities granted as compensation or held, directly or indirectly, by directors or officers. The Corporation is not, however, aware of any directors or officers having entered into this type of transaction.

Stock Options

The Stock Option Plan is designed to attract and retain competent officers and directors within the Corporation. It is part of the alignment of interests of executive officers and directors with those of shareholders of the Corporation. Besides being the main component of the long-term incentive compensation offered to directors and executive officers, the Stock Option Plan also aims to reward and retain employees of the Corporation and people who provide ongoing consulting services or management.

This form of compensation is both "long term" and "at risk", since it is largely linked to the creation of long-term value. Thus, this form of compensation is not specifically linked to the obtaining of specific results or milestones, but rather is intended to retain and encourage beneficiaries to work continuously and in the best interest of the Corporation and its shareholders. Since the benefits of this form of compensation generally require the lapse of a period of time, the Board considers that the ability of Named Executive Officers to take undue risks that would be excessive or beneficial from the point of view of their compensation and to the detriment of the Corporation and its shareholders, is limited.

Salary

The salary is the residual portion of total compensation of a Named Executive Officer. The Board considers it is unlikely that a Named Executive Officer decides to take undue or excessive risk to the Corporation which would be personally beneficial in terms of his or her compensation.

Conclusion

Due to the current size and level of activities of the Corporation, the Board is able to monitor and review the risks associated with its compensation policies and practices. Such risks can be identified and mitigated through regular meetings during which financial or other information is reviewed.

No risk resulting from the compensation practices and policies that are reasonably likely to have a material adverse effect on the Corporation or its business has been identified by the Board.

External Compensation Consultants

During the fiscal year ended September 30, 2017 and 2016, the Corporation did not retain the services of executive compensation consultants to assist the Board in determining compensation for any of the Corporation's NEOs or directors.

Summary of the Compensation of the Named Executive Officers

The following table provides information for the financial years ended September 30, 2017, 2016 and 2015 regarding compensation paid to or earned by the Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All other Compensation (\$) ⁽²⁾	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
David Mc Donald President and CEO	2015	Nil	Nil	5,200	Nil	Nil	Nil	154,073	164,273
	2016	Nil	Nil	-	Nil	Nil	Nil	162,687	162,687
	2017	Nil	Nil	8,667	Nil	Nil	Nil	164,834	173,501
Johanne Moreau CFO	2015	25,930	Nil	2,972	Nil	Nil	Nil	Nil	28,902
	2016	26,391	Nil	-	Nil	Nil	Nil	Nil	26,391
	2017	26,654	Nil	8,667	Nil	Nil	Nil	Nil	35,321

Note:

(1) Black & Scholes model used as per the following assumptions.

Estimates	2015	2017
Risk free interest rate	1.10%	1.78%
Expected life	10 years	10 years
Expected volatility	138%	136%
Expected dividend yield	0	0

(2) Management and consultation fees paid to Ressources Lutsvisky Inc., a private corporation wholly-owned by David Mc Donald. Under a consulting agreement effective January 1, 2011, the Corporation retained Ressources Lutsvisky Inc. for a consultation mandate on the administrative planning of the Corporation in consideration of annual fees of \$150,000 per year, and indexable on January 1 of each year. Under a management agreement dated October 17, 2007 between the Corporation and Ressources Lutsvisky Inc. (the "Management Agreement"), Ressources Lutsvisky Inc. provide the staff required to carry out exploration programs, selects and hires subcontractors necessary for drilling and line cutting and other subcontractors necessary to carry out exploration programs, hiring laboratories required to process samples in connection with exploration programs, provides lodging and food, transporting personnel and provide the necessary oversight to the implementation of the programs. Under the Management Agreement, the parties agreed that Ressources Lutsvisky Inc. would be entitled to fees for overhead costs, management fees and administrative costs equivalent to 15% of the costs incurred in the exploration programs.

Incentive Plan Awards — Outstanding Share-Based Awards and Stock-Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the Named Executive Officers of the Corporation. The number of securities and price are pre-Transaction.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) (1)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of Share-Based Awards that have not paid out or distributed (\$)
David Mc Donald, CEO	500,000	0.145	April 6, 2021	Nil	Nil	Nil	Nil
	350,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	500,000	0.05	January 22, 2024	Nil	Nil	Nil	Nil
	350,000	0.05	March 26, 2025	Nil	Nil	Nil	Nil
	300,000	0.05	March 30, 2027	Nil	Nil	Nil	Nil
Johanne Moreau, CFO	15,000	0.145	April 6, 2021	Nil	Nil	Nil	Nil
	200,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	200,000	0.05	January 22, 2024	Nil	Nil	Nil	Nil
	200,000	0.05	March 26, 2025	Nil	Nil	Nil	Nil
	300,000	0.05	March 30, 2027	Nil	Nil	Nil	Nil

Note:

- (1) The value of unexercised options would have been determined by calculating the difference between the closing price of the common shares on the TSX-V on September 30, 2017 (\$0.03) and the exercise price of the options.

Incentive Plan Awards - Value Vested or Earned During the Most Recently Completed Financial Year

The following table outlines, for each NEO, the value of option-based awards and share-based awards which vested during the year ended September 30, 2017 and the value of non-equity incentive plan compensation earned during the year ended September 30, 2017.

Name	Option-Based Awards – Value Vested During the Year (\$)⁽¹⁾	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
David Mc Donald	Nil	Nil	Nil
Johanne Moreau	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate value that would have been realised if all of the options granted had been exercised at the vesting date and is established by using the closing price of the common shares on the TSX-V on such date.

Pension Plan Benefits

The Corporation does not have a Defined Benefits Pension Plan or a Defined Contributions Pension Plan.

Termination and Change of Control Benefits

As per the exploration management agreement entered into between the Corporation and Ressources Lutsvisky Inc., a privately held corporation owned by the CEO, David Mc Donald, the Corporation subject to the conditional settlement (see Part III – “*Information Concerning Axe – Arm’s Length Transactions*”) will have to pay the sum of \$211,300 if it terminates, unilaterally, the agreement. As per the management consulting agreement entered into by the Corporation and Ressources Lutsvisky Inc., the sum of \$150,000 will be payable if the Corporation unilaterally terminates the agreement.

Director Compensation Table

The following table sets forth information with respect to all amounts of compensation provided to the directors of the Corporation for the most recently completed financial year.

Name	Fees earned (\$)	Share-Based Awards (\$)	Option-Based Awards⁽¹⁾ (\$)	Non–equity Incentive plan Compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total (\$)
Pascal Ducharme	Nil	Nil	5,778	Nil	Nil	Nil	5,778
Claude Lavoie	Nil	Nil	5,778	Nil	Nil	Nil	5,778

Note:

- (1) Black & Scholes model used as per the following assumptions.

Estimates	2017
Risk free interest rate	1.78%
Expected life	10 years
Expected volatility	136%
Expected dividend yield	0

Share-Based Awards, Options-Based Awards and Non-Equity Incentive Plan Compensation

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the directors of the Corporation.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of Share-Based Awards that have not paid out or distributed(\$)
Pascal Ducharme	200,000	0.145	April 6, 2021	Nil	Nil	Nil	Nil
	200,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	200,000	0.05	January 22, 2024	Nil	Nil	Nil	Nil
	200,000	0.05	March 26, 2025	Nil	Nil	Nil	Nil
	200,000	0.05	March 30, 2027	Nil	Nil	Nil	Nil
Claude Lavoie	200,000	0.10	March 28, 2023	Nil	Nil	Nil	Nil
	200,000	0.05	January 22, 2024	Nil	Nil	Nil	Nil
	200,000	0.05	March 26, 2025	Nil	Nil	Nil	Nil
	200,000	0.05	March 30, 2027	Nil	Nil	Nil	Nil

Note:

- (1) The value of unexercised options would have been determined by calculating the difference between the closing price of the common shares on the TSX-V on September 30, 2017 (\$0.03) and the exercise price of the options.

Incentive Plan Awards — Value Vested or Earned During the Most Recently Completed Financial Year

The following table presents information concerning value vested with respect to option-based awards and share-based awards for the directors of the Corporation during the most recently completed financial year:

Name	Option-Based Awards – Value Vested During the year (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Pascal Ducharme	Nil	Nil	Nil
Claude Lavoie	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate value that would have been realised if all of the options granted had been exercised at the vesting date and is established by using the closing price of the common shares on the TSX-V on such date.

PRIOR SALES

For the 12-month period prior to the date of this Information Circular, no Common Share has been issued with the exception of the following:

Date	Number of Common Shares (post-Transaction)	Issue Price Per Common Share	Aggregate Issue Price	Nature of Consideration Received
2018-09-26	343,750 ⁽¹⁾	\$0.80	\$275,000	Assets
Total	343,750		\$275,000	

Note:

- (1) 343,750 Common Shares (post-Transaction) at a value of \$0.80 per Common Share for a total consideration of \$275,000 issued in relation to a conditional settlement of debts with related parties. See Part III – Information Concerning Axe – “Arm’s Length Transactions”.

The Corporation will propose an offering of Rights to each Shareholders of Axe on the basis of one (1) Right for every sixteen (16) Common Shares (pre-Transaction) held where each Right will entitle the holder thereof to subscribe for one (1) Common Share upon payment of the subscription price of \$0.64 per Common Share (post-Transaction) for a period of ninety (90) days from November 28, 2018, the whole subject to the terms and conditions disclosed in the Rights Offering Notice and the Rights Offering Circular. Should all Shareholders of Axe admissible exercise their Rights, a maximum of 3,933,290 Common Shares (post-Transaction) could be issued.

CHANGES IN SHARE PRICE AND VOLUME OF OPERATIONS

Since April 8, 2013, the Common Shares have been listed on the TSX-V under the symbol “AXQ”. Previously, the Common Shares were listed on the TSX-V under the symbol “DOD”. The new symbol for Terranueva Pharma to be listed after the Closing of the Acquisition on the CSE is “TEQ”.

	HIGH	LOW	VOLUME
	(\$)	(\$)	Common Shares #
	(pre-Transaction)		
<u>Year ended September 30, 2019</u>			
October 1 st to October 22, 2018	-	-	-
<u>Year ended September 30, 2018</u>			
September 2018	-	-	-
August 2018	-	-	-
July 2018 ⁽¹⁾	0.06	0.035	2,369,711
June 2018	0.05	0.04	2,406,330
May 2018	0.055	0.04	4,432,191
April 2018	0.06	0.045	9,029,981
2 nd quarter	0.135	0.045	97,446,080
1 st quarter	0.075	0.02	86,495,220
<u>Year ended September 30, 2017</u>			
4 th quarter	0.03	0.02	1,622,959
3 rd quarter	0.03	0.02	3,801,779
2 nd quarter	0.035	0.025	11,135,157
1 st quarter	0.04	0.025	24,363,246
<u>Year ended September 30, 2016</u>			
4 th quarter	0.035	0.025	13,896,511

Note:

(1) On July 25, 2018, trading of the Common Shares was halted at the request of the Corporation. On July 24, 2018, the last day the Common Shares were traded on the TSX-V, the price was \$0.06 (pre-Transaction).

ARM'S LENGTH TRANSACTIONS

Except as disclosed in the Annual and Interim Financial Statements of Axe and in the Audited Financial Statements of Terranueva Pharma, as set out herein and hereunder, no director, executive officer or principal Shareholder of the Corporation, or an associate or affiliate of a director, executive officer or principal shareholder of the Corporation, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Corporation or a subsidiary of the Corporation:

1. Pursuant to the exploration management agreement entered (into between the Corporation and Ressources Lutsvisky Inc., a privately held corporation owned by the CEO, David Mc Donald, the Corporation agreed to pay the sum of \$211,300 if it terminates, unilaterally, its exploration management agreement with Ressources Lutsvisky Inc.. Also, pursuant to the management

consulting agreement entered into by the Corporation and Ressources Lutsvisky Inc., the sum of \$150,000 will be payable if the Corporation unilaterally terminates the management consulting agreement. On September 26, 2018, 343,750 Common Shares (post-Transaction) at a value of \$0.80 per Common Share post-Consolidation (0.05\$ per Common Share pre-Consolidation) for a total consideration of \$275,000 were issued in connection with a settlement of debts with these related parties; and

2. An agreement dated January 26, 2018 was entered into among Axe and Typhoon Exploration Inc. (“**Typhoon**”) in which Axe sold a land to Typhoon for an amount of \$40,000. Mr. David Mc Donald is President and Director of Axe and Typhoon.

All those transactions are measured at the exchange value, that is, the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value. Decisions made by directors or officers in conflict of interests that involve the Resulting Issuer will be made in such a manner as to comply with their duties and obligations to act honestly and in good faith with respect to the Resulting Issuer and to any other Company. In addition, such directors and officers must disclose their potential conflicts of interest before answering any question and must abstain from voting on such matters.

As of the date hereof, there is no other material facts with respect to the Corporation or its assets.

The Transaction will be carried out by parties dealing at arm's length to one another and therefore, the Transaction is not a Non-Arm's Length Transaction.

LEGAL PROCEEDINGS

There are no material claims or suits pending or, to the best knowledge of the Corporation's Directors, after reasonable investigation, threatened against or affecting the Corporation or its properties.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The external auditors of the Corporation are Raymond Chabot Grant Thornton LLP, members of the Canadian Public Accountability Board (“CPAB”), with their offices located at 50, Dallaire Avenue, Rouyn-Noranda (Québec) J9X 4S7.

At the Meeting, the Shareholders will be asked to vote for the appointment of PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. to replace the current external auditors. PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., with their offices located at 1250, René-Lévesque West Blvd, Suite 2500, Montréal (Québec) H3B 4Y1.

Computershare Investors Services Inc., at its place of business at 1500, boulevard Robert-Bourassa, Suite 700, Montréal (Québec) H3A 5S8, will be the Resulting Issuer's transfer agent and registrar of the Common Shares of the Resulting Issuer; those registers are located in Montréal and Toronto.

MATERIAL CONTRACTS

The Corporation has currently not entered into any contracts material to investors in the Common Shares, other than contracts in the ordinary course of business, except:

1. Share Purchase Agreement to be executed before the Closing of the Acquisition among the Corporation, Terranueva Pharma and the Vendors (See Part II Section “*Information Concerning the Transaction*”);

2. Agency Agreement to be signed before the Closing of the Placement among the Corporation and the Agent concerning the completion, the terms and conditions of the Placement;
3. Services Agreements previously signed, the conditional amendments, shares for debts and releases dated September 26, 2018 between Axe and Ressources Lutsvisky Inc., a privately held corporation owned by David Mc Donald who is the Chief Executive Officer of the Corporation; and
4. Letter of Intent entered into on July 24, 2018 among Axe, Terranueva Pharma and the Shareholders of Terranueva Pharma, pursuant to which Axe has agreed to purchase 124,750 Terranueva Pharma Shares in exchange of the issuance, subject to any required Regulatory Approvals, of 21,860,000 Common Shares (post-Transaction) at the price of \$0.50 for a consideration of \$10,930,000.

Copies of those documents (except confidential financial information) will be available for inspection at 255 Curé-Labelle Blvd, Suite 204, Laval, Québec H7L 2Z9, Canada , at any time during ordinary business hours until the date of the Final Press Release and for a period of thirty (30) days thereafter.

DIVIDEND POLICY

The Corporation has never declared or paid dividend in respect of its outstanding shares and does not expect to pay any short-term dividends. The Board of Directors of Axe's policy is to reinvest all of the funds available to Axe in the Corporation's operating activities. This policy will be reviewed periodically by the Board of Directors of Axe.

PART IV – INFORMATION CONCERNING TERRANUEVA PHARMA

CORPORATE STRUCTURE

Name and Incorporation

Terranueva Pharma Corporation/Corporation Terranueva Pharma (“**Terranueva Pharma**”) was incorporated on November 28, 2017 under the *Canadian Business Corporations Act*.

Terranueva Pharma’s registered head office is located at 803, de L’Ange-Gardien Blvd., L’Assomption (Québec) J5W 1T3. Terranueva Pharma has the following corporate structure:

<p>Terranueva Pharma Corporation / Corporation Terranueva Pharma <i>(Canada Business Corporations Act)</i></p>

GENERAL DEVELOPMENT OF THE BUSINESS OF TERRANUEVA PHARMA

Terranueva Pharma, following the Transaction, intends to become a major producer of cannabis, for medical purposes and, subsequently, for recreational purposes. According to its business plan, Terranueva Pharma received a Confirmation of Readiness from Health Canada in the first quarter of 2018 and expects to obtain its licence to produce in the fourth quarter of 2018 and a Sales licence in the second quarter of 2019, in accordance with the Cannabis Laws. The founder of Terranueva Pharma has been involved in the business since May 2016.

Terranueva Pharma is a company operating in L’Assomption (Québec) that aspires to be at the forefront of research and development focused on therapeutic cannabis treatment. The principle mission of Terranueva Pharma is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. The business vision is to produce medicinal and recreational cannabis to the highest standards in terms of effectiveness, quality and stability.

The value proposition of Terranueva Pharma is as follows: (i) deliver to the market a quality of products and services that will be beyond reproach (eventually endorsed by the Canadian medical community); (ii) provide a range of products resulting from strains which target chronic pain, migraines, sleeping disorders and anxiety (including alternatives, to the consumption of dried cannabis); (iii) establish a program of research and development, the economic engine of the Resulting Issuer; (iv) have efficient and modern production and management processes (including Modular Production Units (“MPU”) that are intelligent and rely heavily on automation and digital technology); (v) become a responsible Licensed Producer with the capacity to provide detail traceability of every gram produced and sold (from seed to sale); (vi) offer an effective distribution network through the medical community across Québec and Canada; and (vii) support the health network and the population in their collective education;

Management will Develop Terranueva in 3 Distinct Phases:

PHASE 1: Build the Certification, Research and Development Unit (“CRDU”) and progress on two interrelated fronts: (i) the first step will be to set up the infrastructure and the equipment, to develop best operational practices and to establish the required quality controls and standards; and (ii) the second step

will follow on the heels of the first one, and will commence a first production with a hybrid strain that targets pain.

PHASE 2: Develop the first MPU to mitigate operational risk as the company proceeds to an industrialisation process.

PHASE 3: Large-scale deployment. Once certification from Health Canada is obtained and the process of large-scale industrialisation proven, Terranueva will be in a position to run at full available capacity. The site can accommodate as many as fifteen additional MPUs.

NARRATIVE DESCRIPTION OF BUSINESS

The following disclosure contains forward-looking statements, including with respect to the Terranueva risk's business objectives and milestones upon completion of the Acquisition. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth elsewhere in this Information Circular, that could cause results to differ materially from those described or anticipated in such forward- looking statements. See "*Information Concerning the Transaction –Risk factors*".

Business

Terranueva Pharma is a private Québec-based Company operating in L'Assomption (Québec) that intends to become a major producer of cannabis, for medical purposes and, subsequently, for recreational purposes. It aspires to be at the forefront of research and development focused on therapeutic cannabis treatments. The principle mission of Terranueva Pharma is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. Terranueva Pharma's business vision is to produce cannabis to the highest standards in terms of effectiveness, quality and stability.

To achieve this goal, Terranueva is implementing a modular production approach incorporating the latest advances and innovations in process automation. As a technology driven company, we aim to develop the most sophisticated automated cannabis production system that will help to create traceability of our product and increase the yield of each of our strain to produce a premium quality product in the most efficient manner. We are currently working on our production Facility in L'Assomption, Quebec, as we complete the final stages of our application to become a Licensed Producer under Canada's Cannabis Laws.

Business Objectives

The business objectives of Terranueva Pharma for the next 36-month period are as follows and are part of a 3-Phase Plan:

Phase 1

The first effort is to set up the Certification, CRDU which will progress on two inter-dependent fronts. The first axis will be used to set up the infrastructure with the equipment, develop the best practices of operations and ratify the quality controls and standards. The second axis will be on the heels of the first one. It is expected that the CRDU will produce the first hybrid strain culture to target pain. Terranueva's management will work towards building links with clinical and academic researchers and the medical community. Best practices and controls to ensure medicinal quality products is intended to become Terranueva's value proposition. In these first instances, the Terranueva team will make genetic studies and will orient itself on its choice of strains to answer one by one the specific needs of its customers. Mothers, clones and a first

crop for commercial sale will begin at the premises of the certification and research and development unit. At the end of this phase, Terranueva must have demonstrated the control of its process, the safety of these facilities and the extent of its know-how to secure from Health Canada the issuance of a first certification for the culture and sale of its products.

Phase 2

This phase will allow the development of the first MPU. This will enable us to start making the investment in PHASE 1 profitable and generate the first significant revenues. Beyond the financial benefits the main reason for this phase is to contain the risk generally attributed to a transfer of production in laboratory mode to an industrial mode. Indeed, large-scale production brings risks that are specific to the process. Sound management requires validation of the industrial process before deployment or major investment to manage risk and avoid costly mistakes. It is in this second phase that Terranueva will qualify and optimize these production processes.

Phase 3

Deployment on a large scale. With Health Canada's certification in hand, and the large-scale industrialization process proven, Terranueva will be able to proceed with its expansion with the objective of exploiting the full capacity available on its site at L'Assomption. This represents up to fifteen (15) additional MPUs. To support this higher volume of production Terranueva plans to build a warehouse, a processing unit to transform dry flowers into oil, and a packaging and distribution center on the site to support its entire business plan. Terranueva also intends to develop its distribution and sales channels through the medical community for medicinal applications and with the SQDC and other designated authorities mandated to sale cannabis for recreative use throughout Canada.

Significant Events and Milestones

Over the next 36-month period, Terranueva expects to complete the milestones and events set out above.

Readiness stage confirmation was granted to the founder of Terranueva by Health Canada in March 2018. Once the confirmation was obtained, Terranueva entered into a Lease to rent the Facility for 10 years including a 5-year renewal period. The Lease features an option in favor of Terranueva to buyback 50% of the Facility by August 31, 2022 and the remaining 50% afterwards. In July 2018 Terranueva started the work related to leasehold improvements and placed orders and installation of various facility and security equipment, such as the CRDU and automated management systems.

The following are the significant events and milestones:

Phase 1 - Implementation cost of CRDU is \$3.1M for leasehold improvements, equipment and security (leasehold improvements work is completed).

Objective: Establish the certification and research and development unit with annual initial capacity of 150 kg of dried cannabis. Documentation has been transmitted to Health Canada on October 10, 2018.

Milestones of CRDU Phase 1:

Work completed and equipment installed:	Q4 - 2018
Health Canada authorizes production:	Q4 – 2018
Crop begins:	Q4 - 2018
First harvest:	Q1 – 2019
Final production and licence for sale granted by Health Canada:	Q2 – 2019

Phase 2 - Implementation cost of 1st MPU: (i) \$5.8M (including a 10% contingency); (ii) Objective: Validation of the industrial and production processes; (iii) Annual capacity 1,400 kg of dried cannabis.

Milestones of MPU Phase 2:

Begin construction work and equipment installation:	Q4 - 2018
Work completed and equipment installed:	Q1 - 2019
Health Canada certifies MPU:	Q1 - 2019
Crop begins:	Q1 - 2019
First harvest:	Q3 - 2019
Complimentary production and sales licence from Health Canada:	Q3 – 2019

Phase 3 - The cost of additional MPUs and a warehouse and processing plant is: (i) \$4.875M (for each additional MPU); (ii) A warehouse and processing plant must also be built to support the additional MPUs: \$4.75M; (iii) Total cost of the 15 MPUs and the warehouse and processing plant (aggregate \$77.875M)

Objective: Industrial production and Annual capacity of 15 MPUs is 22.9 metric tonnes of dried cannabis

Principal Products or Services

Terranueva is a proposed Canadian Licensed Producer. Terranueva Pharma's Facility is at the ACMPR Detailed Review and Initiation of Security Clearance Process stage of review. Upon becoming a Licensed Producer following the completion of the Acquisition, Terranueva plans to begin the planting of its various strains and ramp to cultivation and production for sale of medical cannabis. Terranueva will make available to the medical community a variety of strains specifically designed to treat and assist with a number of common ailments and conditions. Terranueva intends to become a well-respected household name within the cannabis and medical community.

- The quality of the products and services to be offered by Terranueva is paramount to its success. Terranueva will ensure that its products are free from harmful pesticides, fungi and bacteria, mold, heavy metals and other harmful substances. Terranueva intends to offer a recreational product to the standard of products intended for the medical market. To achieve this, Terranueva has chosen to cultivate its cannabis strains in an indoor environment, built to the highest specification standards to control, among other things, temperature, brightness, humidity, carbon dioxide, water quality, nutrients supplied to plants and PH. This approach will ensure a recreational or medical product that reaches the quality standards of the pharmaceutical sector. Terranueva also intends to ensure the homogeneity of its harvests and maximize the efficiency of its productivity by implementing 10,000 square feet of automated MPU. Unlike a large-scale crop, its MPUs will be dedicated to growing only one strain of cannabis at a time. By optimizing the unique gestation environment for each strain, Terranueva Pharma will ensure superior quality for each of its crops and maximum yield to generate lowest production cost.
- The Terranueva product line will come from strains that primarily target chronic pain, migraines, sleep disorders and anxiety.

- Terranueva will offer alternatives to the means of consumption that go beyond cannabis dried flowers. Terranueva’s proposed product line will include creams, oils, capsules and sprays to name a few.
- Research and development will be the economic engine of the company. Terranueva plans to conduct pre-clinical and clinical research in partnership with experts in the field to innovate and improve its value proposition. To achieve this, Terranueva has set a goal of investing 8% of its annual sales to support its commitment to research and development.
- Terranueva’s production and management processes will be efficient and modern. Terranueva will implement intelligent MPUs that will focus on automation and digitization. Terranueva Pharma is currently commissioning its certification, research and development center, and a first MPU to develop its first service offering. Terranueva plans to gradually build these MPUs to exploit the full capacity of the site at the pace of market demands and therefore on a short horizon of less than 3 years. Each MPU has an average annual production capacity of 1,400 kg of cannabis. Terranueva’s long-term intention is to develop production sites of similar size throughout Québec, Canada and finally internationally to better support the industrial scheme that such a company requires.
- Terranueva, as a responsible approved producer, will provide detailed traceability of each gram of cannabis produced and sold (from cradle to grave).
- Terranueva will endeavor to support the health network and the consumers in their collective education by providing specific information and advice on the products sold, their risks and benefits. The web site of Terranueva will also support the vertical integration of the Terranueva’s distribution network by creating the vital link between producers, pharmacists and doctors to the great benefit of end users.
- Terranueva will endeavor supporting a distribution network through the medical community.

Competitive Conditions and Position

The current market of producers of cannabis for medical and recreational purposes is controlled by several large scale Licensed Producers in Canada such as Canopy Growth, Tweed, Tilray and Aurora. As at September 30, 2018, there were 120 Licensed Producers². It is possible that several new producers in the same industry segments of Terranueva will add or emerge in the near future. The SQDC has already granted purchase orders to producers for its recreational market. There is thus potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Corporation.

Terranueva’s value proposition will differentiate it from many of the other producers as it will focus on four primary medical motivators which makes up more than 80% of the combined recreational and medical cannabis market. By favoring a highly control and automated facility to grow its cannabis Terranueva will raise the quality control and standards above others hence reducing certifications, production risks, and raising customer experience while at the same time optimizing production yield at the lowest possible cost.

² <https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approves-medicales.html#a2>.

By vertically integrating itself and pursuing the transformation of dry flowers into an oil, Terranueva will allow the majority of end users to consume with discretion and without the nuisance and health risks normally attributed with smoking.

By allocating an 8% allowance of its sales to research and development, Terranueva will be able to pursue the clinical trials so necessary to engage and support the medical community.

By pursuing a full traceability from seed to sale, Terranueva shows the discipline and rigor necessary to reassure all potential end users and Health Canada.

As a best practices Terranueva will not seek to compare itself to competitors but rather to continually strive for excellence and lead the marketplace.

Trends, Commitments, Events or Uncertainties

Except as disclosed herein, there are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on Terranueva's business, Terranueva's financial condition or results of operations. In addition, there are significant risks associated with the Terranueva Pharma's business, as described in "*Information Concerning the Transaction –Risk factors*".

Canadian Regulatory Environment

Terranueva's activities related to medical cannabis are regulated by the applicable Cannabis Laws which will continue to evolve. While the retail model for distribution and sale of cannabis and cannabis products will be the result of provincial and territorial legislation and regulations, the aforementioned legislation outlines four minimum conditions that provinces and territories would need to meet, specifically: i) only cannabis obtained from a federally Licensed Producer can be sold; ii) selling to a person younger than 18 years of age subject to provincial specific regulation) is prohibited; iii) the province/territory would need to develop a system of distribution and retail sale; and iv) the retail model would need to be developed with an eye to public health and public safety concerns. The current licensing regime for medical access is governed by the Cannabis Act.

Legislation to legalize adult recreational use – Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* – received royal assent on June 21, 2018, making Canada the second nation to legalize recreational cannabis. The official date of legalization is October 17, 2018. Only Licensed Producers will be authorized to sell cannabis into the adult recreational market. As at September 30, 2018, there were 120 Licensed Producers³. Regulation of the sale of adult recreational cannabis in retail and online environments is the responsibility of the provinces and territories. Most jurisdictions will require Licensed Producers to sell all cannabis products to provincial and territorial control boards, which will sell to consumers online and through their own outlets or licensed private outlets.

The Cannabis Law governs the use of cannabis for medical purposes. Therefore, patients who require cannabis for medical purposes will continue to have access either by using their medical document to register as customers of a licensed seller or by cultivating cannabis plants themselves. Registered patients will be allowed to have a maximum of 150 grams of dried cannabis in their possession in a public place, while the Cannabis Act allows up to 30 grams for any adults aged 18 and older. Note, however, that

³<https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approuves-medicales.html#a2>.

provincial legislation applicable to each jurisdiction may impose, and in most cases have imposed, stricter criteria.

Holders of Licenses to sell for medical purposes will be required to provide reports to the Minister on a monthly basis which include, among other matters, information about the number of registered clients, transfers of clients to other license holders and some statistics such as the average daily quantity of dried cannabis mentioned on medical documents as well as information about health care practitioners who provide medical documents.

In the province of Québec, the sale of recreational cannabis is through stores owned by a designated institution, named SQDC, a state-controlled corporation.

See *“Information Concerning the Transaction –Risk Factors-Risks Relating to the Cannabis Industry”*.

License

Terranueva’ application to become a Licensed Producer was submitted by the founder of Terranueva to Health Canada. The application is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. On March 13, 2018, Terranueva received a confirmation of readiness letter by Health Canada stating that the initial review of the License application was completed and that Terranueva is now at the readiness stage. If and when licensed, the Facility’s cannabis cultivation capacity is estimated to be up to 22.9 metric tonnes of dried cannabis per annum, subject to Regulatory Approvals, market demand and other variables. See Part II Section *“Information Concerning the Transaction – Risk Factors - Licensing Requirements”*.

Market

The market is divided into two segments, users who consume for medical reasons and those who consume for recreational reasons. According to a recent Health Canada reports⁴, in December 2017, there were just over 269,000 medical cannabis registered clients across the country, contributing to sales in the last quarter (Q3 2017/2018) of 6,000 kg. This output was shared approximately 50/50 between dried cannabis and oil. In May 2017, Health Canada⁵ reported that, on average, the number of clients enrolled increased by 10% per month; while sales of dried cannabis grew by 6% per month, and sales of cannabis oil increased by 16% per month. It should also be noted that Ontario and Alberta account for most of the clients, or 225,000 of the total. In Québec, there is a delay with fewer than 7,500 registered customers, which confirms a weak exploitation of the Québec market for cannabis for medical purposes to date.⁶

Indeed, according to research conducted by the Brighton Group and reported in an article by Visual Capitalist⁷, the worldwide cannabis market is expected to explode from \$ 7.7 billion to \$ 31.4 billion between 2017 and 2021. As for the Canadian market it should contribute \$ 8.9 billion in 2021, with \$ 5.07 billion from the recreational segment and \$ 3.82 billion from the medical segment. Similarly, a study by Dundee Capital Partners predicts that recreational cannabis sales could reach on its own \$ 8.9 billion by 2023.⁸

⁴ Santé Canada. Rapport T3 2017/2018 Données sur le marché, Producteurs autorisés.

⁵ Santé Canada. Rapport T3 2017/2018 Données sur le marché, Producteurs autorisés.

⁶ Santé Canada. Rapport T3 2017/2018 Données sur le marché, Producteurs autorisés.

⁷ Visual Capitalist – 9 things cannabis investors should know, available at <http://www.visualcapitalist.com/9-things-cannabis-investors-should-know/>.

⁸ Dundee Capital Partners, Medical marihuana sector, January 11, 2017, page 7.

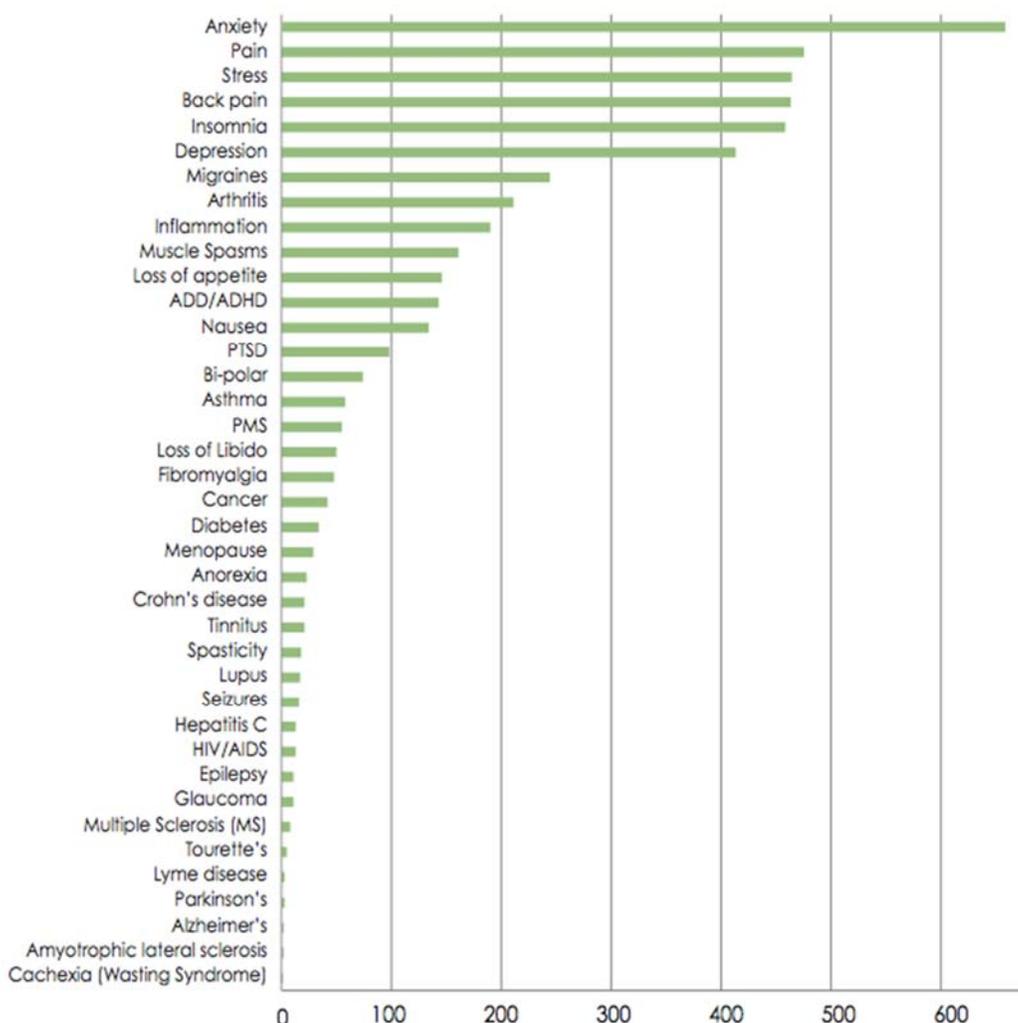
The social acceptability of recreational cannabis use has changed significantly in recent years and is leading to a second segmentation of the cannabis market. According to a Deloitte study⁹, approximately 40% of the adult Canadian population support legalization. This percentage even reaches 64% including undecided respondents. The openness of Canadians to the legalization of cannabis will make Canada the first country member of the G7 to legalize it for recreational purposes. This opens the door for Canadian Licensed Producers and offers them a significant competitive advantage on the international scene with the emergence of new markets that are not far behind Canada regarding legalisation.

Notwithstanding the breadth of the data for each segment of the cannabis market described above, it would be reasonable to think that the recreational and medical segments described above are two distinct segments, but this is not the case if we dwell on the motivations behind the choice. Indeed, there is a direct link and overlap between medical and recreational clienteles creating cumulative opportunities. In the Deloitte study¹⁰, the two main motivators for recreational use were identified as desire to relax or sleep (51%), to reduce anxiety or stress (49%), whereas medical reasons given by 1,400 interlocutors that motivate their desire to consume cannabis include at the top of the list: anxiety, stress, pain, insomnia and migraines. This conclusion is confirmed when compared to the conclusions of other similar studies.

⁹ Analyse de Deloitte. Marijuana récréative. Les perspectives et les possibilités.

¹⁰ Analyse de Deloitte. Marijuana récréative. Les perspectives et les possibilités.

The Top Reasons People Use Medical Marijuana¹¹



In Québec, the SQDC is the sole buyer and vendor for recreational marijuana.

Specialized Skills and Employees

As at the date of and over the period covered by the Audited Financial Statements of Terranueva Pharma, Terranueva Pharma had less than five (5) employees excluding subcontractors and consultants.

Assuming completion of the Transaction, the Corporation will start hiring additional employees. Among these employees, Terranueva will hire in 2018 and 2019 specialized individuals such as a botanist, an agronomist, two geneticists, an expert in automation, an industrial engineer, a programmer, security expert and an expert in clinical research. Additional employees (production, sale, distribution, etc.) will

¹¹ Source : The Top Reasons People Use Medical Marijuana By [notsofasteddie](#), February 29, 2016 in [Medical Marijuana and Pharmaceuticals](#)

subsequently be hired to deal with the growth of the company's level of activities. Among its current team, Terranueva already has engineers (mechanical, industrial, automation and smart factory specialist, etc.), a chemist with experience in quality assurance in pharmaceutical process, peoples with construction and building facilities experience, financial and public companies expertise, and production, health and safety environment expertise.

SELECTED FINANCIAL INFORMATION

The following annual information, prepared by the management of Terranueva Pharma as of July 31, 2018, must be read in conjunction with the information presented in this Information Circular and in the Audited Financial Statements of Terranueva Pharma for the 8-month period ended July 31, 2018 prepared in accordance with IFRS.

	As at or for the 8-month period ended July 31, 2018
Net Sales or Total Revenues	nil
Loss from continuing operations, in total	\$322,231
and on a per share basis and fully diluted per	\$3.51
share basis	\$3.51
Net loss and fully diluted per share basis	\$322,231
Total assets	\$3,948,873
Total Long-term financial Liabilities	\$3,363,211
Cash Dividends declared per class for each	nil
class of share	
Balance Sheet Data:	
Total Current Assets	\$679,591
Total Current Liabilities	\$829,324
Shareholders' Equity (deficit)	\$(243,662)

Dividends

Terranueva Pharma has not paid dividends since its inception and it is not contemplated that any dividend will be paid in the immediate or foreseeable future. The Board of Directors has not adopted any dividend policy. There are no restrictions in the Terranueva Pharma's articles and by-laws which could prevent Terranueva Pharma from paying dividends.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of this Management's Discussion and Analysis ("MD&A"), prepared by Terranueva Pharma is to allow the reader to assess the Terranueva Pharma's operating results as well as its financial position for the 8-month period ended July 31, 2018. This MD&A dated October 23, 2018, must be read in conjunction with the information presented in this Information Circular and in the audited financial statements of Terranueva Pharma prepared in accordance with IFRS and attached as schedule to this Information Circular. All amounts are in Canadian dollars.

This MD&A was approved by the Board of Directors of Terranueva Pharma on October 23, 2018.

Highlights

On July 24, 2018, a letter of intent was signed with Axe for the acquisition of all Terranueva Pharma shares by Axe. Axe will then change its name to Terranueva Corporation. Beforehand, there will be a consolidation of the Common Shares of Axe for a ratio of 16 old shares for each new Common Share. Terranueva Pharma and Axe will receive all necessary approvals from their respective shareholders in connection with such Transaction.

According to the Share Purchase Agreement to be executed, Axe will agree to acquire the Terranueva Pharma Shares for a consideration in shares of \$10,930,000 by the issuance of 21,860,000 Common Shares post-Transaction at a deemed price of \$0.50 per Common Share. A finder's fee which consists in the issuance of 1,250,000 Common Shares post-Transaction will be paid to an arm's length party, subject to applicable securities regulations.

In parallel with the purchase of Terranueva Pharma, Axe intends to complete a private placement for a minimum gross proceed of \$2,250,000 and a maximum of \$4,000,000 with several investors, subject to exchange's regulatory authorities approval, with the issuance of an aggregate of units at a price of \$0.50 each post-Transaction ("Unit"). Each Unit will consist of one (1) Common Share post-Transaction and one half (1/2) of a Common Share purchase warrant. Each whole Warrant will entitle the holder thereof to acquire one (1) additional Common Share post-Transaction of the Resulting Issuer at a price of \$0.65 per Common Share for a period of 18 months from the Placement closing date. The use of the Placement is essential to ensure the development of the first efficient unit of production, working capital, obtaining the sale license and deployment of the Phase 2 previously discussed.

Selected Financial Information

The following table summarizes selected financial data, reported by Terranueva Pharma for the audited 8-month period financial statements ended July 31, 2018.

	As at or for the 8-month period ended <u>July 31, 2018</u>
Revenue	\$-
Net Loss and comprehensive loss	\$322,231
Loss per share basic and diluted	\$3.51
Total assets	\$3,948,873

	As at or for the 8-month period ended <u>July 31, 2018</u>
Current liabilities	\$829,324
Non-current liabilities	\$3,363,211
Shareholders' deficiency	\$243,662
Number of Common Shares	91,750

Results of Operations

For the 8-month period ended July 31, 2018, the net loss (\$3.51 per share) amounted to \$322,231.

There was no revenues or production during the period.

For the 8-month period ended July 31, 2018, expenses amounted to \$351,231. They included:

Professional fees	\$178,051
Marketing	\$11,604
Depreciation	\$15,127
General and administrative	\$52,483
Financial expenses	\$93,966

Most expenses were in connection in obtaining the required licences to operate the business of Terranueva Pharma. Professional fees are comprised of the audit fees, legal fees to incorporate Terranueva Pharma and the work towards starting its business and to the convertible debentures as well as management fees. Marketing expenses are for the website development. Financial expenses include the interest on convertible debentures and bank fees.

Balance Sheet

As at July 31, 2018, cash amounted to \$625,845 and working capital to (\$149,733). The deficiency is mainly due to the current portion of convertible debentures. The non-current assets amount to \$3,269,282 comprised of \$367,099 of construction under progress and \$2,902,183 of right of use. The right of use relates to the Facility building and takes into account the buyback option. The current liabilities totaled \$829,324 including \$701,420 of current portion of convertible debentures. The non-current liabilities of \$3,363,211 are comprised of \$2,943,321 of lease obligations and \$419,890 of convertible debentures. The shareholders' equity deficiency of \$243,662 includes \$78,560 of conversion options resulting from the convertible debentures.

Cashflows

Cash flows used in operating activities in the 8-month period ended July 31, 2018, was of \$303,916. Cash flows used in investing activities was \$270,228 for the 8-month period ended July 31, 2018 all invested in the Construction in progress. Cash flows provided by financing activities was \$1,199,989 for the 8-month period ended July 31, 2018. Nominal value of \$1,100,000 of convertible debentures accounts for \$1,092,420 and conversion option for \$78,560.

Liquidity and Capital Resources

Liquidity risk is the risk that Terranueva Pharma will not have enough cash resources to meet its financial obligations as they come due. Terranueva Pharma liquidity and operating results may be adversely affected if Terranueva Pharma's access to the capital markets is hindered, whether because of a downturn in stock market conditions generally or related to matters specific to Terranueva Pharma. Until it will have its first sale, Terranueva Pharma generates all its cash flows from its financing activities. Terranueva Pharma's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at July 31, 2018, Terranueva Pharma had working capital deficiency of \$149,733. The deficiency is mainly due to the current portion of convertible debentures.

Terranueva Pharma's obligations and contractual commitments are described in note 14 of the financial statements. They are subject to normal trade terms.

Off-Balance Sheet Arrangements

Terranueva has no off-balance sheet arrangements.

Related Parties Transactions

For the 8-month period ended July 31, 2018, management fees of \$14,181 were paid to a company controlled by a director, money paid for services rendered as self-employed. An amount of \$116,573 were paid to senior management and directors, either to companies controlled by them or directly to an individual. These transactions are in the normal course of operations and are measured at the exchange value and the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value.

As at July 31, 2018, there is no amount payable to a related party.

Contractual Obligations

The obligations and contractual commitments of Terranueva Pharma are :

	Less than 6 months \$	Between 6 and 12 months \$	More than 12 months \$	Total \$
Accounts payables and accruals	555,572	-	-	555,572
Lease obligations	112,500	135,000	2,537,500	2,785,000
Convertible debentures	630,247	138,499	517,623	1,286,369
	<u>1,298,319</u>	<u>273,499</u>	<u>3,055,123</u>	<u>4,626,941</u>

Basis of Presentation and Going Concern

The audited financial statements were prepared on a going concern basis.

Even though, Terranueva Pharma has started to invest resources to develop a cannabis business for medical purposes, there is no guarantee that a production license will be delivered to Terranueva Pharma neither as when such a license will be delivered.

As of today, Terranueva Pharma has no revenue and has a \$322,231 deficit and is considered in a start-up mode. Terranueva Pharma's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past through convertible debentures and expect an equity investment (See note 17(a) of the audited financial statements), there can be no assurance it will be able to do so in the future.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

Accounting Policies

The accounting policies are described in Note 3 of the audited financial statements.

Additional Disclosure for Issuers without Significant Revenue

Additional disclosure concerning Terranueva Pharma's general and administrative expenses and resource property costs is provided in the Terranueva Pharma's financial statements for the 8-month period ended July 31, 2018 included in this Information Circular.

Description of Securities

Terranueva Pharma's authorized capital is unlimited class "A" shares without par value. As at October 23, 2018, 124,750 Terranueva Pharma Shares were issued or reserved and outstanding. As at the date of this report hereof there were no Terranueva Pharma Shares held in escrow.

Negative Cash-flow

Terranueva Pharma had negative operating cash flows in the 8-month period ended July 31, 2018 for which financial statements have been included. The Resulting Issuer from the Transaction will complete the Private Placement, as described in this Information Circular.

Critical Accounting Estimates and judgments

The preparation of Terranueva Pharma's financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to

recoverability of amounts receivable, valuation of deferred income tax amounts, valuation of options, and valuation of warrants and shares issued during private placements and measurement of derivative liability.

The most significant judgments relate to the right of use and convertible debentures.

Risk Factors

There are numerous and various risks, known and unknown, that may prevent Terranueva Pharma from achieving its goals. It is believed that these are the factors that could adversely affect Terranueva Pharma's business, financial condition or results of operation. These risks and uncertainties are not the only ones the Corporation is facing. Additional risk and uncertainties not presently known to us, or that the Corporation currently deems immaterial, may also impair its operations.

Further information concerning Risk Factors concerning the Transaction, the Market, Regulations and Competition and will be found in details under Part II Section "*Information Concerning The Transaction – Risk Factors*".

The following is a summary of certain risks that could be applicable to the specific business of Terranueva Pharma.

Liquidity Risk

Liquidity risk is the risk that Terranueva Pharma will not have enough cash resources to meet its financial obligations as they come due. Terranueva Pharma liquidity and operating results may be adversely affected if Terranueva Pharma's access to the capital markets is hindered, whether because of a downturn in stock market conditions generally or related to matters specific to Terranueva Pharma. Until it will have its first sale, Terranueva Pharma generates all its cash flow from its financing activities. Terranueva Pharma's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at July 31, 2018, Terranueva Pharma had working capital deficiency of \$149,733. The deficiency is mainly due to the current portion of convertible debentures.

Facility is not Licensed

Terranueva Pharma's ability to cultivate, store and sell medical or recreational cannabis in Canada is dependent on Licenses, granted by Health Canada and a CRA Licenses to be granted by the Canada Revenue Agency. Terranueva Pharma has applied to become a Licensed Producer for the Facility. Terranueva Pharma has not yet received a License for the Facility. However, Terranueva is currently in the Detailed Review and Initiation of Security Clearance Process stage of the licensing process. Terranueva Pharma's ability to cultivate, store and sell medical cannabis at the Facility is dependent on obtaining a License from Health Canada and a CRA License and there can be no assurance that Terranueva Pharma will obtain such a License for the Facility (defined below).

Reliance on Licenses

Failure to comply with the requirements of any License or CRA License, once obtained by, or transferred to, Terranueva Pharma, or any failure to maintain any License or a CRA License would have a material adverse impact on the business, financial condition and operating results of Terranueva Pharma. Although Terranueva Pharma believes it will meet the requirements to obtain the License and the CRA License, there can be no guarantee that Health Canada will grant the Licenses or approve their transfer or that the Canada Revenue Agency will grant a CRA License or approve its transfer. Should Health Canada not grant any License or its transfer or should it grant the License on different terms, or should the Canada Revenue

Agency not grant a CRA License, the business, financial condition and results of the operation of Terranueva Pharma would be materially and adversely affected.

Reliance on the Facility

To date, Terranueva Pharma's activities and resources have been primarily focused on its proposed unlicensed Facility located in L'Assomption, Québec. Adverse changes or developments affecting this facility may have a material and adverse effect on Terranueva Pharma's ability to produce medical cannabis, business, financial condition and prospects.

Licensing Requirements

The market for cannabis (including medical marijuana) in Canada is regulated by the applicable Cannabis Laws. Health Canada is the primary regulator of the industry. The applicable Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements.

Facility Lease Risk

The Facility is located on property that is not owned by Terranueva Pharma. Such property is subject to a long-term Lease and similar arrangements in which the underlying land is owned by a third party and leased to Terranueva Pharma with rights to buy back. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the Lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the Lease term. In addition, an event of default by Terranueva Pharma under the terms of the Lease could also result in a loss of the property should the default not be rectified in a reasonable period. The reversion or loss of such properties could have a material adverse effect on Terranueva Pharma's operations and results.

Limited Operating History

Terranueva Pharma anticipates entering the medical cannabis business. Terranueva Pharma's Facility's application to become a Licensed Producer under the former legal regime was submitted to Health Canada before October 17, 2018. Terranueva Pharma is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Terranueva Pharma will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered considering its early stage of operations. These risks may include:

- risks that it may not have enough capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and

- risks relating to an evolving regulatory regime.

Management of Growth

Terranueva Pharma may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Terranueva Pharma to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of Terranueva Pharma to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Management

The success of Terranueva Pharma is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Terranueva Pharma's business, operating results or financial condition.

Conflicts of Interest

Terranueva Pharma may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, Terranueva Pharma's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to Terranueva Pharma, as applicable. External business interests may require significant time and attention of Terranueva Pharma's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to Terranueva Pharma's business and affairs, as applicable, and this could adversely affect Terranueva Pharma's operations.

In addition, Terranueva Pharma may also become involved in transactions that conflict with the interests of its respective directors and the officers, who may from time to time deal with persons, firms, institutions or corporations with which Terranueva Pharma may be dealing, or which may be seeking investments like those desired by it. The interests of these persons, firms, institutions or corporations could conflict with those of Terranueva Pharma. In addition, from time to time, these persons, firms, institutions or corporations may be competing with Terranueva Pharma for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of Terranueva Pharma's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the applicable laws, the directors of Terranueva Pharma are required to act honestly, in good faith and in the best interests of Terranueva Pharma.

Litigation

Terranueva Pharma may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which Terranueva Pharma becomes involved be determined against it, such a decision may adversely affect Terranueva's ability to continue operating, adversely affect the market price of Common Shares and use significant resources. Even if Terranueva Pharma is involved in litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of Terranueva Pharma's brand, and ultimately the Corporation's brand.

Regulatory Risks

Terranueva Pharma operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Terranueva Pharma's ability to grow, store and sell medical cannabis in Canada with respect to the Facility is dependent on obtaining the License from Health Canada and a CRA License and the need to maintain them in good standing. Failure to: (i) comply with applicable requirements; and (ii) maintain the Licenses and a CRA License would have a material adverse impact on the business, financial condition and operating results of Terranueva Pharma.

Terranueva Pharma will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Terranueva Pharma's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Terranueva Pharma.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Terranueva Pharma's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Terranueva Pharma's earnings and could make future capital investments or the Terranueva Pharma's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, Terranueva Pharma faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Terranueva Pharma's products alone or in combination with other medications or substances could occur. Terranueva Pharma may be subject to various product liability claims, including, among others, that Terranueva Pharma's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Terranueva Pharma could result in increased costs, adversely affect Terranueva Pharma's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of Terranueva Pharma.

Product Recalls

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

amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Operating Risk and Insurance Coverage

Terranueva Pharma has insurance to protect its assets, operations and employees. While Terranueva Pharma believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which Terranueva Pharma is exposed. However, Terranueva Pharma may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Terranueva Pharma might also become subject to liability for pollution or other hazards which may not be insured against or which Terranueva Pharma may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Terranueva Pharma to incur significant costs that could have a material adverse effect upon Terranueva Pharma's financial performance and results of operations.

See Part II Section “*Information Concerning the Transaction – Risk Factors*”.

Forward-Looking Statements

Except for historical data, certain information and statements in this report that cover expected results of Terranueva Pharma should be considered forward-looking. Such forward-looking statements involve risks, uncertainties, and other factors which may cause actual results, performance or achievements of Terranueva Pharma to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Although Terranueva Pharma believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only at the time of writing of this report.

Terranueva Pharma disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by securities legislation.

DESCRIPTION OF THE SHARE CAPITAL

The description of the share capital of Terranueva Pharma hereunder is provided subject to the detailed dispositions of its documents of incorporation. The unlimited share capital of Terranueva Pharma consists of eleven (11) classes of shares.

Terranueva Pharma Shares

The number of class “A” common shares, namely the “Terranueva Pharma Shares”, is unlimited and without par value. Holders of Terranueva Pharma Shares, have the right, subject to the rights and privileges conferred by the other classes of shares, to participate in the assets, profits and surplus assets of Terranueva Pharma and, for that purpose, to receive dividend declared by the corporation, the amount of which, and the time and manner of payment are at the sole discretion of the board of directors. The expected dividends for Terranueva Pharma shares are non-cumulative.

Holders of Terranueva Pharma Shares and proportionally to the number of shares held by each holder, have the right, subject to the rights and privileges conferred by the other classes of shares, to share in the remaining property of Terranueva Pharma upon dissolution, upon voluntary or involuntary winding-up or liquidation or upon any other partial or total distribution of the property or assets as part of the liquidation or dissolution of Terranueva Pharma.

In addition to the conditions imposed by section 42 of the CBCA, Terranueva Pharma cannot pay a dividend in respect of Terranueva Pharma Shares, or purchase or otherwise acquire such shares, if, as a result, Terranueva Pharma cannot legally redeem or pay the redemption price of the class “D”, “E” and “F” shares.

The holders of Terranueva Pharma Shares have the right to vote at any meeting of shareholders of Terranueva Pharma, and each Terranueva Pharma Shares share gives them one (1) vote.

Terranueva Pharma Shares are the only issued and outstanding shares and they are currently numbered at 124,750.

The other classes of shares are not issued. Among those or classes, several have, among other things, the right to receive dividends (B, D, E, F, G, H, I, J, K), the right to participation (B, C), the right to vote (B, K), right to refund (D, E, F, G, H, I, J, K), redemption right (D, E, F), unilateral repurchase right by company (G, H, I, J, K).

CONSOLIDATED CAPITALIZATION

The following chart sets out the share capital of Terranueva Pharma on a consolidated basis.

<u>Designation of Security</u> ⁽¹⁾	<u>Amount Authorized</u>	Amount outstanding as at July 31, 2018 ⁽²⁾ (audited)	Amount outstanding as at October 22, 2018⁽²⁾ (unaudited)
Class A Shares	unlimited	\$9 (91,750 Terranueva Shares)	\$1,466,676 (124,750 Terranueva Shares)

Notes:

- (1) See Part IV Section “*Information Concerning Terranueva Pharma – Prior Sales of this Information Circular*” and Part V Section “*Information Concerning the Resulting Issuer – Fully Diluted Share Capital*”.
- (2) The deficit of Terranueva Pharma as at July 31, 2018, the date of the most recent balance sheet of included in this Information Circular, was \$322,231.

PRIOR SALES

Terranueva Pharma has reserved and issued 124,750 Terranueva Pharma Shares as follows:

<u>Date</u>	<u>Number of Terranueva Pharma Shares</u>	<u>Issue Price and contributed surplus Per Terranueva Pharma Share</u>	<u>Aggregate Issue Price and contributed surplus</u>	<u>Nature of Consideration Received</u>
2017-11-28	1	\$0.0100	\$0.01	Cash
2017-12-04	91,749	\$0.0001	\$9.17	Cash
2018-10-19 ⁽¹⁾	24,750	\$44,4444	\$1,100,000.00	Cash
2018-11-28 ⁽²⁾	<u>8,250</u>	<u>\$44,4444</u>	<u>\$366,666.64</u>	Cash
Total	124,750		\$1,466,675.82	

Notes:

- (1) Subscription arising from convertible debenture previously signed.
- (2) Contractual mandatory conversion at Closing of the Minimum Placement, from convertible debentures previously signed.

See also Part V - Section “Fully Diluted Share Capital”.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of Terranueva Pharma, as at the date of this Information Circular, the following shareholders are the sole that have a right of ownership or control or management, directly or indirectly, on more than 10% of the voting shares of Terranueva Pharma, namely the Terranueva Pharma Shares.

Shareholder’s name	Number of Terranueva Pharma Shares	Total percentage of Terranueva Pharma Shares and Voting Rights
Francisco Junior Perez ⁽¹⁾	62,931	50.45%
GMTN Inc. ⁽²⁾	27,500	22.04%

Notes:

- (3) Includes 42,600 Terranueva Pharma Shares (34.15%) held through Fiducie Castillo, of which Francisco Perez Jr. is a Trustee and 4,081 Terranueva Pharma Shares (3.27%) held by Francisco Perez Jr. indirectly through GMTN Inc., of which is Mr. Perez Jr. is a shareholder. Francisco Perez Jr. is Director and Chief Operating Officer of Terranueva Pharma.
- (4) Francisco Perez Jr., Pierre Monet, Rafael Percopo, Fiducie Familiale Lorient, Petrie Raymond Gestion Conseil Inc. and Pierre Ayotte are shareholders of GMTN Inc.

As at the date hereof, the directors and officers of Terranueva Pharma were, as a group, directly or indirectly, the beneficial owners of 86,194 Terranueva Pharma Shares representing 69.09% of the currently issued and outstanding Terranueva Pharma Shares.

DIRECTORS AND OFFICERS OF TERRANUEVA PHARMA

The following table sets out, for each of the directors and executive officers of Terranueva Pharma, the name and municipality of residence, the principal positions held with Terranueva Pharma, its starting date as a director or executive officer of Terranueva Pharma, the number of Terranueva Pharma Shares held and the percentage of Terranueva Pharma Shares held. Complete biographies of each of the directors and executive officers of Terranueva Pharma are included at Section "Proposed Directors, Officers and Promoters of the Resulting Issuer" of Part II of this Information Circular.

Name and Municipality of Residence	Principal Positions held with Terranueva Pharma	Starting Date	Number of Terranueva Pharma Shares and percentage of Terranueva Pharma Shares
Pierre Ayotte Laval (Québec)	President, Chief Executive Officer (CEO) and Director	May 1 st , 2018	13,888 ⁽¹⁾ 11.13%
Louis Doyle Kirkland (Québec)	Chief Compliance and Security Officer (CSO), not a member of the Board	May 1 st , 2018	1,125 0.90%
Pierre Monet Ville Mont-Royal (Québec)	Chief Financial Officer (CFO), not a member of the Board	May 1 st , 2018	5,250 ⁽²⁾ 4.21%
Rafael Percopo Boisbriand (Québec)	R&D and Quality Control (QP), not a member of the Board	May 1 st , 2018	3,000 ⁽³⁾ 2.40%
Francisco Perez Junior Repentigny (Québec)	Chief Operating Officer (COO) and Director	November 28, 2017	62,931 ⁽⁴⁾ 50.45%

Notes:

- (1) Of which 7,419 Terranueva Pharma Shares are held indirectly through GMTN Inc.
- (2) Of which 3,000 Terranueva Pharma Shares are held indirectly through GMTN Inc.
- (3) Which Terranueva Pharma Shares are held indirectly through GMNT Inc.
- (4) Of which 42,600 Terranueva Pharma Shares are held indirectly through Fiducie Castillo and 4,081 are held indirectly through GMTN Inc.

INTEREST OF MANAGEMENT AND CERTAIN RELATIONSHIPS IN MATERIAL TRANSACTIONS

Except as disclosed in the Annual and Interim Financial Statements of Axe and in the Audited Financial Statements of Terranueva Pharma, as set out herein and hereunder, no director, executive officer of Terranueva Pharma, any holder designated in this Information Circular as a shareholder holding more than ten percent (10%) of the Terranueva Pharma Shares, or any known person who is a Related Person with such persons or who is Member of the same group of them has a material interest in, direct or indirect, in any transaction that occurred during the 8-month period ended July 31, 2018, nor has such interest in any proposed transaction, which has had or will have a material impact on Terranueva Pharma.

Decisions made by directors, executive officers or promoters who are also directors or officers of an entity that is in the same field as Terranueva Pharma and that involve the Resulting Issuer will be made in such a manner as to comply with their duties and obligations to act honestly and in good faith with respect to the Resulting Issuer and any other Company. In addition, such directors and officers must disclose their potential conflicts of interest before answering any question and must abstain from voting on such matters.

INDEBTEDNESS OF OFFICERS AND DIRECTORS TO TERRANUEVA PHARMA

No director or officer of Terranueva Pharma, or any of their respective associates or affiliates is or has been, at any time during the 8-month period ended on July 31, 2018, indebted to Terranueva Pharma.

LEGAL PROCEEDINGS

There are no outstanding proceedings that may be material to the business and affairs of Terranueva Pharma.

ACCOUNTANTS

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. is acting as independent auditors of Terranueva Pharma.

PROMOTERS

Terranueva Pharma has no investor relations firm or persons. However, Francisco Junior Perez and Pierre Ayotte may be considered to be the Promoters of Terranueva Pharma as they took the initiative in founding and organizing the business of Terranueva Pharma and they are founding shareholders, directors and principal officers of Terranueva Pharma. Upon closing of the Transaction and the Maximum Placement, Francisco Junior Perez will hold, directly and indirectly, 11,027,429 Common Shares of the Resulting Issuer, representing 31.47% (30.43% if the Over-Allotment Option is exercise in full) (34.96% following the Transaction and the Minimum Placement) of the Resulting Issuer's Common Shares. Upon closing of the Transaction and the Maximum Placement, Pierre Ayotte will hold, directly and indirectly, 2,433,600 Common Shares of the Resulting Issuer, representing 6.94% (6.71% if the Over-Allotment Option is exercise in full) (7.72% following the Transaction and the Minimum Placement) of the Resulting Issuer's Common Shares.

MATERIAL CONTRACTS

Terranueva Pharma has not entered into any material contracts since its incorporation, other than contracts in the ordinary course of business, except for:

- 1) Share Purchase Agreement to be executed before the Closing of the Acquisition among Axe, Terranueva Pharma and the Vendors (See Part II - Section "*Information Concerning the Transaction*").
- 2) Lease Agreement for the Facility among Corporation Terranueva Pharma, 9177-5411 Québec Inc. and Gestion Immobilière Harmonie SENC, including a right to buyout the Facility at its fair market value (in cash) and by issuance of Common Shares (\$0.50 per Common Shares); and

- 3) Letter of Intent entered into on July 24, 2018 among Axe, Terranueva Pharma and the Shareholders of Terranueva Pharma, pursuant to which Axe has agreed to purchase 124,750 Terranueva Pharma Shares in exchange of the issuance, subject to any required Regulatory Approvals, of 21,860,000 Common Shares (post-Transaction) at the price of \$0.50 per Common Shares for a consideration of \$10,930,000.

A copy of the aforementioned agreements may be inspected without charge at the offices of Terranueva Pharma's counsel located at 3030, Le Carrefour Boulevard, Suite 1002, Laval, Québec, H7T 2P5, during ordinary business hours until the Closing Date of the Transaction and for a period of thirty (30) days thereafter.

PART V – INFORMATION CONCERNING THE RESULTING ISSUER

CORPORATE STRUCTURE

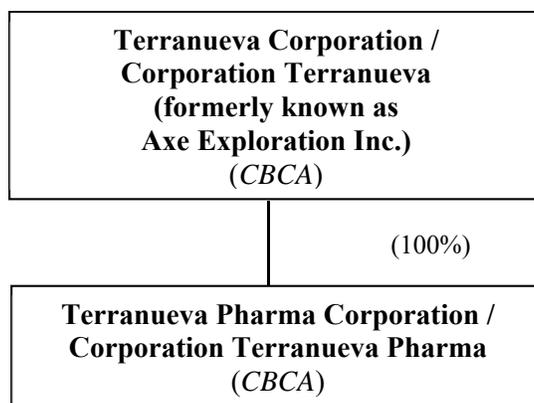
Name and Incorporation

The Resulting Issuer was incorporated pursuant to the CBCA on October 17, 2007 under the name “Diamond Frank Exploration Inc. / Exploration Diamond Frank Inc.” and changed its name for “Axe Exploration Inc.” on April 2, 2013. However, at the Meeting, it will be proposed to the Shareholders to consider and to adopt a special resolution to change the corporate name of the Resulting Issuer by “Corporation Terranueva/Terranueva Corporation” upon completion of the Transaction and the final approval of the Exchange.

Upon Closing of the Transaction, the registered office of the Resulting Issuer and its principal place of business will be located at 803, L’Ange-Gardien Blvd, L’Assomption, Québec, J5W 1T3, Canada.

The Resulting Issuer will continue the activities related to Terranueva Pharma, as described in detail under Part IV Section “*Information Concerning Terranueva Pharma*”.

Following the Completion of the Transaction, the Resulting Issuer will have the following corporate structure:



DESCRIPTION OF THE BUSINESS

The Resulting Issuer intends to become a major producer of cannabis, for medical purposes and, subsequently, for recreational purposes. According to its business plan, Terranueva Pharma by its founder received a Confirmation of Readiness from Health Canada in the first quarter of 2018 and the Resulting Issuer expects to obtain its licence to produce in the fourth quarter of 2018 and a Sales licence in the second quarter of 2019, in accordance with the Cannabis Act. Terranueva Pharma is involved in this business since July, 2017.

The Subsidiary is a Québec-based company operating in L’Assomption that aspires to be at the forefront of research and development focused on therapeutic cannabis treatment. The principal mission of the Resulting Issuer will be to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. Terranueva Corporation’s business vision will be to produce cannabis to the highest standards in terms of effectiveness, quality and stability.

(See Part IV “Information Concerning Terranueva Pharma - General Development of Business of Terranueva Pharma” and “Available Funds and Principal Purposes” of the Information Circular.)

DESCRIPTION OF SECURITIES

The different categories of securities of the Resulting Issuer will be the same as the securities of the Corporation as described in Part II of this Information Circular under Section “Information Concerning Axe – Description of the Securities”.

Since April 8, 2013, the Common Shares were listed on the TSX-V under the symbol “AXQ”. Previously, the Common Shares were listed on the TSX-V under the symbol “DOD”. The new symbol for the Resulting Issuer to be listed on the CSE is “TEQ”. Trading in the Common Shares of Axe has been suspended by TSX-V since July 24th, 2018 the day of the announcement of the proposed Transaction with Terranueva Pharma.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalisation of the Resulting Issuer on an audited basis as of September 30, 2017, on an unaudited basis as of June 30, 2018 as well as the unaudited pro forma capitalisation of the Resulting Issuer following the Closing of the Transaction.

Designation of Securities <u>Capital</u>	Amount <u>Authorized</u>	Amount outstanding as at <u>September 30, 2017</u>	Amount outstanding as at <u>June 30, 2018</u>	Amount outstanding as at the Closing of the <u>Minimum Placement⁽¹⁾</u>	Amount outstanding as at the Closing of the <u>Maximum Placement⁽¹⁾⁽²⁾</u>
Share Capital	--	\$7,753,754	\$7,757,514	\$5,350,205	\$6,662,705
Common Shares ⁽³⁾	Unlimited	57,357,445 Common Shares (pre-Consolidation)	57,432,645 Common Shares (pre-Consolidation)	32,876,623 Common Shares of the Resulting Issuer (post-Consolidation)	36,376,623 ⁽⁴⁾ Common Shares of the Resulting Issuer (post-Consolidation)
Contributed Surplus and conversion options	--	\$1,092,005	\$1,247,945	\$528,707	\$791,207
Deficit	--	\$7,710,196	\$8,161,334	\$2,363,826	\$2,538,826
Shareholders Equity (negative)	--	\$1,136,283	\$844,125	\$3,515,086	\$4,915,086
Long-term debt	--	\$-	\$-	\$3,610,009	\$3,610,009
Total debt	--	\$-	\$-	\$3,610,009	\$3,610,009
Equity and Total debt	--	\$1,136,283	\$844,125	\$7,276,080	\$8,525,095

Notes:

(1) Relying upon the unaudited pro forma financial statements of the Corporation as of July 31, 2018 and the financial conditions of the Corporation assuming the completion of the Transaction and, as the case may be, the Closing of the

Minimum Placement or the Closing of the Maximum Placement. See note 2 of the pro forma financial statements of the Resulting Issuer, attached to this Information Circular for assumptions and adjustments.

(2) Assuming no exercise of the Over-Allotment Option.

(3) See Section Part V “*Information concerning the Resulting Issuer*” Section “*Fully Diluted Share Capital*”.

(4) 37,576,623 Common Shares of the Resulting Issuer if the Over-Allotment is exercise in full.

FULLY DILUTED SHARE CAPITAL

The table below illustrates the share capital on a fully diluted basis of the Resulting Issuer after giving effect to the Consolidation, the Acquisition, the issuance of the Finder’s Fees, the Minimum Placement or the Maximum Placement, the Over-Allotment Option, the payment of the Agent Warrants and the Rights Offering.

	Number and percentage of Common Shares (post-Transaction) after Closing of the Acquisition and Closing of the <u>Minimum Placement</u>	Number and percentage of Common Shares (post-Transaction) after Closing of the Acquisition and Closing of the <u>Maximum Placement</u>
Common Shares issued and outstanding as of this day ⁽¹⁾	3,933,290 10.22%	3,933,290 8.57%
Common Shares to be issued in exchange of the Terranueva Pharma Shares	21,860,000 56.80%	21,860,000 47.61%
Common Shares to be issued for the Finder’s Fees	1,250,000 3.25%	1,250,000 2.72%
Common Shares to be issued pursuant to the Placement without the Over-Allotment Option	4,500,000 11.69%	8,000,000 17.42%
Common Shares to be issued pursuant to the Over-Allotment Option	-	1,200,000 2.61%
Common Shares issuable upon exercise of Warrants without the Over-Allotment Option	2,250,000 5.85%	4,000,000 8.71%
Common Shares issuable upon exercise of Warrants pursuant to the Over-Allotment Option	-	600,000 1.31%
Common Shares issuable upon exercise of Resulting Issuer Options ⁽²⁾	400,000 1.04%	400,000 0.87%
Common Shares issuable upon exercise of Rights ⁽²⁾	3,933,290 10.22%	3,933,290 8.57%
Common Shares issuable upon exercise of Agent Warrants without the Over-Allotment Option	360,000 0.94%	640,000 1.39%
Common Shares issuable upon exercise of Agent Warrants under the Over-Allotment Option	-	96,000 0.21%
TOTAL:	38,486,580 100%	45,912,580 100%

Note:

(1) Taking into account the Consolidation.

Other Listed Securities

The Resulting Issuer will have no other listed securities reserved for issuance that are not included in the above table and the following:

- a potential conversion into 733,333 Common Shares (60 days Rights after Transaction) of an aggregate principal amount of \$366,666.64 (50 cents per Common Share) of convertible debentures of Terranueva Pharma.
- Following a decision of the Board of Terranueva, a potential 2,900,000 Common Shares (50 cents per Common Share) may be issued pursuant to the exercise of a right to buyout the Facility at its fair market value.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Based on the information available as at the date of this Information Circular, the Resulting Issuer is expected to have approximately \$4,392,000 of available funds upon completion of the Transaction and the Maximum Placement (\$4,992,000 if the Over-Allotment Option is exercised in full) and \$2,729,500 upon completion of the Transaction and the Minimum Placement of available funds. The table below shows the breakdown of the estimated funds available:

	Upon Completion of the Transaction	
	Maximum Placement	Minimum Placement
Estimated Funds Available	Amount (\$)	Amount (\$)
<i>Pro forma</i> consolidated cash	4,802,000	3,052,000
Estimated fees and expenses of the Placement and Transaction ⁽¹⁾	410,000	322,500
Total estimated funds available	4,392,000⁽²⁾	2,729,500

Notes:

- (1) Taking in consideration estimated fees of the Transaction and Commissions.
- (2) \$4,992,000 if the Over-Allotment Option is exercised in full.

The Resulting Issuer's ability to continue operations is dependent upon successfully raising the necessary financing. The Corporation has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures.

The following table sets out information respecting the Resulting Issuer's intended uses of such cash over the next 12 months. The amounts shown in the table below are estimates only and are based on the information available to the Corporation as at the date of the Information Circular.

	Upon Completion of the Transaction	
	Maximum Placement	Minimum Placement
Principal Uses of Proceeds	Amount (\$)	Amount (\$)
Working capital	500,000	500,000
Salaries	770,000	770,000
Rent	135,000	135,000
Professional fees	115,000	115,000
Investors relations, Transfer Agent, Escrow Agent, Printer, CSX, continuous disclosure obligations filings, etc.	110,000	110,000
Travel, etc.	12,000	12,000
Office expenses	50,000	50,000
Safety	100,000	100,000
Phase II / operations	2,600,000	937,500
Total	4,392,000⁽¹⁾	2,729,500

Note:

(1) \$4,992,000 if the Over-Allotment Option is exercised in full.

Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may also require additional funds in order to fulfill all of its expenditure requirements and to meet its objectives, in which case the Resulting Issuer expects to either issue additional shares or incur debt. There is no assurance that any additional funding required by the Resulting Issuer will be available, if required.

Although the Resulting Issuer intends to use the funds for the purposes mentioned above, management will review the Resulting Issuer's budget on a regular basis in accordance with the evolution of the Resulting Issuer and any other opportunities that could arise. In the event where the development of the Resulting Issuer would require further funds, a part of the working capital may be used to cover those expenses. In the event where the projected expenses are no more desirable, the remaining of the working capital could be used for other corporate purposes.

Management of the Corporation and Terranueva Pharma estimate that the Resulting Issuer's working capital shall suffice in order to cover general and administrative charges for a minimum period of twelve (12) months.

DIVIDENDS

No dividends have been paid on any Common Shares of the Corporation since the date of its incorporation and it is not contemplated that any dividend will be paid by the Resulting Issuer in the immediate or foreseeable future. The Board of Directors has not adopted any dividend policy.

PRINCIPAL SHAREHOLDERS OF THE RESULTING ISSUER

To the knowledge of the directors and executive officers of the Corporation and Terranueva Pharma, as at the date of this Information Circular, the following shareholders will be the sole that will have a right of ownership or control or management, directly or indirectly, on more than 10% of the voting shares of the Resulting Issuer.

Name and municipality of residence	Before the Closing of the Transaction (undiluted) ⁽²⁾	Before the Closing of the Transaction (diluted) ⁽³⁾	After the Closing of the Acquisition and the Minimum Placement (undiluted) ⁽²⁾⁽⁴⁾	After the Closing of the Acquisition and the Minimum Placement (diluted) ⁽³⁾⁽⁴⁾	After the Closing of the Acquisition and the Maximum Placement (undiluted) ⁽²⁾⁽⁴⁾⁽⁵⁾	After the Closing of the Acquisition and the Maximum Placement (diluted) ⁽³⁾⁽⁴⁾⁽⁵⁾
Francisco Perez Jr. ⁽⁶⁾ Repentigny, Québec	Nil	Nil	11,027,429 34.96%	11,027,429 32.25%	11,027,429 31.47%	11,027,429 25.05%
GMTN Inc. ⁽⁷⁾ Laval, Québec	Nil	Nil	4,818,838 15.28%	4,818,838 14.09%	4,818,838 13.75%	4,818,838 10.95%

Notes:

- (1) Assuming those shareholders will not subscribe to the Placement.
- (2) On an undiluted basis, namely excluding the exercise of the Resulting Issuer Options, the Rights, the Warrants, the Agent Warrants and the Over-Allotment Option.
- (3) On a fully diluted basis, namely including the exercise of the Resulting Issuer Options, the Rights, the Warrants, the Agent Warrants but assuming no exercise of the Over-Allotment Option.
- (4) Taking into account the Consolidation.
- (5) Assuming no exercise of the Over-Allotment Option.
- (6) Includes 7,464,818 Common Shares (post-Transaction) (21.30%) held through Fiducie Castillo, of which Francisco Perez Jr. is a Trustee and 715,116 Common Shares (post-Transaction) (2.04%) held by Francisco Perez Jr. indirectly through GMTN Inc., of which is Mr. Perez Jr. is a shareholder. Francisco Perez Jr. is Director and Chief Operating Officer of the Corporation. Percentages are in the Maximum Placement scenario assuming no exercise of the Over-Allotment Option.
- (7) Francisco Perez Jr., Pierre Monet, Rafael Percopo, Fiducie Familiale Lorient, Petrie Raymond Gestion Conseil Inc. and Pierre Ayotte are shareholders of GMTN Inc.

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Position and Number of Securities Held

None of the proposed directors or officers of the Resulting Issuer is currently director or officer of the Corporation. Pierre Ayotte and Francisco Perez Jr. are directors of Terranueva Pharma since May 1st, 2018 and November 28, 2017 respectively. Messrs. Sylvain Aird, Marc-André Aubé, Pierre Ayotte, Patrice Boily, Alain Bureau, Louis Doyle, Rafael Percopo and Francisco Perez Jr will be directors of the Resulting Issuer upon Closing of the Transaction. Messrs. Pascal Ducharme, Claude Lavoie and David Mc Donald and Ms. Johanne Moreau have indicated their intent to resign from their duties of directors upon Closing of the Transaction. Assuming the Closing of the Transaction, Messrs. Sylvain Aird, Marc-André Aubé, Pierre Ayotte, Patrice Boily, Alain Bureau, Louis Doyle, Pierre Monet, Rafael Percopo and Francisco Perez Jr will hold the positions and offices as indicated below as of the Closing of the Transaction. The proposed directors and officers of the Resulting Issuer will devote the time mentioned below for the Resulting Issuer.

If the Transaction occurs, the nominees will act as directors as of the Closing of the Transaction. Otherwise, the current directors will remain directors of the Corporation.

The following chart states, for each proposed director or officer of the Resulting Issuer, the name, municipality of residence, age, main duties with the Resulting Issuer, principal occupation over the past five (5) years, education, the Board of Directors election year, as well as information regarding the Common Shares beneficially owned or controlled directly or indirectly, as of before the Closing of the Transaction and following the Closing of the Acquisition, the Closing of the Minimum Placement and the Closing of the Maximum Placement.

<u>Name, municipality of residence and age</u>	<u>Position with the Resulting Issuer</u>	<u>Common Shares/Options (post-Transaction) held directly or indirectly, before the Transaction</u>	<u>Common Shares/Options (post-Transaction) held directly or indirectly, after the Transaction and the Minimum Placement</u>	<u>Common Shares/Options (post- Transaction) held directly or indirectly, after the Transaction and the Maximum Placement⁽³⁾</u>
Sylvain Aird ⁽⁴⁾ Montréal (Québec) Age : 47	Director, Secretary	-	137,906/- 0.44%	137,906/- 0.39%
Marc-André Aubé ⁽⁵⁾ Ville Mont-Royal (Québec) Age : 46	Director	-	443,508/- 1.41%	443,508/- 1.27%
Pierre Ayotte Laval (Québec) Age : 59	Director, President and Chief Executive Officer (CEO)	-	2,433,600/- 7.72%	2,433,600/- 6.94%
Patrice Boily ⁽⁵⁾ Ste-Marguerite-du-Lac- Masson (Québec) Age : 53	Director	-	-/- -	-/- -
Alain Bureau ⁽⁴⁾⁽⁵⁾ Rio Hato (Panama) Age : 49	Director	-	197,134/- 0.62%	197,134/- 0.56%

<u>Name, municipality of residence and age</u>	<u>Position with the Resulting Issuer</u>	<u>Common Shares/Options (post-Transaction) held directly or indirectly, before the Transaction</u>	<u>Common Shares/Options (post-Transaction) held directly or indirectly, after the Transaction and the Minimum Placement</u>	<u>Common Shares/Options (post- Transaction) held directly or indirectly, after the Transaction and the Maximum Placement⁽³⁾</u>
Louis Doyle ⁽⁵⁾ Kirkland (Québec) Age : 60	Director, Chief Compliance and Security Officer (CSO)	-	197,134/- 0.62%	197,134/- 0.56%
Pierre Monet Ville Mont-Royal (Québec) Age : 55	Chief Financial Officer (CFO)	-	919,959/- 2.92%	919,959/- 2.63%
Rafael Percopo Boisbriand (Québec) Age : 50	Director, R&D and Quality Control Officer (QP)	-	525,691/- 1.67%	525,691/- 1.50%
Francisco Perez Jr Repentigny (Québec) Age : 36	Director, Chief Operating Officer (COO)	-	11,027,429/- 34.96%	11,027,429/- 31.47%

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of Terranueva Pharma or the Corporation and has been furnished by the respective individuals.
- (2) Assuming none of the directors and officers will subscribe to the Placement.
- (3) Assuming no exercise of the Over-Allotment Option.
- (4) Expected Member of the Corporate Governance Committee of the Corporation.
- (5) Expected Member of the Audit Committee of the Corporation.

Following the Closing of the Transaction and the Closing of the Minimum Placement (including the Finder's Fees), a maximum of 31,543,290 Common Shares of the Resulting Issuer will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 55.91% of the total, will be held by Related Persons of the Resulting Issuer and 13,908,624 Common Shares of the Resulting Issuer representing approximately 44.09% of the Common Shares will be held by public shareholders, including former Shareholders of Axe.

Following the Closing of the Transaction and the Closing of the Maximum Placement (including the Finder's Fees), a maximum of 35,043,290 Common Shares of the Resulting Issuer (36,243,290 Common Shares of the Resulting Issuer if the Over-Allotment Option is exercised in full) will be issued and outstanding. Of that number of Common Shares of the Resulting Issuer, it is expected that 17,634,666 Common Shares of the Resulting Issuer representing 50.32% of the total (48.66% of the total if the Over-Allotment Option is exercised in full), will be held by Related Persons of the Resulting Issuer and 17,408,624 Common Shares of the Resulting Issuer representing approximately 49.68% of the Common Shares of the Resulting Issuer (18,608,624 Common Shares of the Resulting Issuer representing 51.34% of the total if the Over-Allotment Option is exercised in full) will be held by public shareholders, including former Shareholders of Axe.

Sylvain Aird is a seasoned law practitioner who has been acting as legal counsel for almost 25 years of which the last 13 years have been at Boralex Inc., a TSX listed Company and a renewable energy Company present in both North America and Europe. From September June 2012 to June 2017, Mr. Aird held the

position of Vice-President, Europe, Chief Legal Officer and Secretary at Boralex inc. He also held the position of Vice President Business Development at Boralex inc. from June 2017 to March 2018. During his career, Mr. Aird has acted in multiple transactions and financings which value has reached more than \$2 billion, both in Canada and internationally and, has acquired an unparalleled experience in mergers and acquisitions, financing, securities and corporate governance sectors. His years in the business have given him significant experience and understanding of the corporate world by being in contact with entrepreneurs, founders, executives of large and medium-sized corporations, operators, financial advisors as well as board of directors' members. Since April 2018, Mr. Aird is a lawyer at Séguin Racine, Attorneys.

Marc-André Aubé holds since January 2017 the position of President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. He oversees the company's strategic corporate direction with a focus on global expansion. Before joining Walter, Mr. Aubé was, from May 2007 to January 2017, President and Chief Operating Officer of GardaWorld Protective Services. He also has experience in various industry sectors including chemical products with Nalco Canada, oil and gas with Petro-Canada, and finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc. Mr. Aubé is a CFA and also holds an MBA from the HEC Montréal and an engineering degree from the Montréal Polytechnic School.

Pierre Ayotte is the President and Chief Executive Officer of Terranueva Pharma (CEO) since May 2018. Until May 2018, Pierre Ayotte held exclusively the position of Chief Operating Officer (COO) at Alta Précision. Mr. Ayotte is a graduate in mechanical engineering and flight test engineer. Pierre Ayotte has more than 40 years of experience in the business world with a strong component for aeronautics. He has worked internationally and developed extensive expertise ranging from engineering and operations management to business development and business management. He relaunched several companies, such as a GE plant in Mirabel, Mecachrome Canada and the DCM Group. He is recognized as a strong promoter of the smart factory as a result of his reflections on the future of the industry.

Patrice Boily is currently Chief Executing Officer of Lune Rouge 360 since January 2017 after he joined it as a consultant in January 2016. From May 2003 till June 2014, Mr. Boily was strategic advisor, Cash Services, Canada and United-States, for the multinational Garda World Security Corporation. Previously, he held the position of Chief Operating Officer for the same corporation. He has extensive North American experience in the security field. Patrice Boily is an industrial engineer graduated from the École Polytechnique of Université de Montréal. He has over 25 years of experience in operations management, specializing in business process reengineering. Prior to joining Garda, Mr. Boily served as Vice President of Operations for Touchtunes Digital Music. Prior to that, he led the operations of Dentalmatic and Discreet Logic.

Alain Bureau is currently President and Chief Executive Officer of Toachi Mining since January 2018, a mineral exploration company listed on the TSX-V. Alain Bureau was trained as an officer in the Canadian Armed Forces and holds a Bachelor of Engineering degree from Royal Military College of Canada. Mr. Alain Bureau is a member of the Ordre des Ingénieurs du Québec. Mr. Bureau has over 15 years of mining and construction experience in Canada and Latin America. In the past, he has been involved in major international projects such as Pinos Altos Mexico, La Ronde, Raglan, Altonorte, Izcaycruz, Yauliyacu and Escondida, the largest copper mine in the world, located in Chile. He has also worked in Peru on mining projects, as well as for several major Canadian mining companies of international scale. Mr. Bureau was also National Construction Manager in Venezuela and in the Dominican Republic for the Canadian engineering and construction firm Dessau-Soprin International. From November 2006 till December 2016, Mr. Bureau acted as a director and President and Chief Executive Officer of Pershimco Resources Inc. (now Orla Mining Ltd.).

Louis Doyle is the Chief Compliance and Security Officer (CSO) of Terranueva Pharma since May 2018. Mr. Doyle has over 30 years of experience in the capital markets with expertise in operations management, stock market listing and governance problem resolution. Since January 2016, Louis Doyle is actively engaged as a Executive director of Québec Bourse Inc., an association regrouping Quebec based listed companies and other market stakeholders. Since December 2015, Mr. Doyle, also holds the position of President at Doyle Gestion Conseils Inc., a company providing consulting and administrative services to private and public companies. From October 1999 to December 2015, Mr. Doyle was Vice President, Montreal, of the TSX-V. In this capacity, he was responsible for all business development and listing activities for Quebec and the Maritime Provinces. Until his departure from the TSX-V, he was Chair of the Registration Committee, a member of the Policy Committee and also responsible for the TSX-V mentorship program at a national level. Louis Doyle is also a director of Abitibi Royalties Inc., a corporation listed on the TSX-V.

Pierre Monet is the Chief Financial Officer of Terranueva Pharma (CFO) since May 2018. Mr. Monet holds a Bachelor in Business Administration from the HEC Business School in Montréal and is a member of the Order of Chartered Professional Accountants (CPA). With over 20 years of experience with public companies, he is known to play a key role in financing, acquiring and restructuring projects. He has held several executive positions including Chief Executive Officer of Malaga Inc., Vice President of Finance and Treasurer for Iron Ore Company (IOC) and Vice President, Finance and, from March 2014 to December 2016, Chief Financial Officer of the public corporations Pershimco Resources Inc. and Dynacor Gold Mines Inc. Furthermore, from February 2018 to July 2018, Mr. Monet was the Vice President Finance of Canadian Metals Inc. He also holds the position of President of Monet Consultants Inc. since December 2016. He holds the ASC certification (certified administrator) from Université Laval.

Rafael Percopo is Chief Scientific Officer, quality assurance of Terranueva Pharma (QP) since May 2018. Mr. Percopo holds a Bachelor of Science in Chemistry from Concordia University. He has been working for more than 24 years in the generic pharmaceutical industry. He has held several key positions including 16 years as a Pilot Plant Manager (R&D) at Pharmascience Inc. from July 2001 to September 2016, scientific business division, Production Manager at Odan Laboratories from then to May 2018 and Pangeo Pharma, as well as quality assurance, validation and engineering for various companies. He has developed skills to manage the training and development of a highly skilled workforce to meet the requirements of good commercial manufacturing practices as well as the development of new products in the clinical trial stage. He has been involved and worked on major projects such as moving and building a new facility for manufacturing highly toxic solid forms and expanding two plants into solid forms and manufacturing semi-solid products.

Francisco Junior Perez is the Chief Operations Officer and founder of Terranueva Pharma (COO) since May 2018. For the past five years, Mr. Perez has been acting as Transport and Logistics Supervisor at Perez International inc / 9157-4863 Quebec Inc. Mr. Perez has 15 years of experience as a Director of Specialized Operations in policy integration, new accreditation and new technologies in an ever-changing environment from an international perspective. His proactive expertise in preventive measures has allowed him to provide permanent solutions to recurring problems and improve the fluidity of the company's operations.

As of the date of this Information Circular, the directors and officers of the Resulting Issuer are expected to beneficially own, directly or indirectly, as a group 15,882,361 Common Shares (post-Transaction) of the Resulting Issuer representing approximately 45.32 % of all outstanding voting securities of the Resulting Issuer on an undiluted basis following the Transaction and the Maximum Placement (43.82% if the Over-Allotment Option is exercise in full) (50.35% following the Transaction and the Minimum Placement).

The Resulting Issuer will have an Audit Committee and Corporate Governance Committee but it is not expected to have an executive committee. All expected members of the audit committee are financially literate and independent.

The directors are elected every year. The proposed directors of the Resulting Issuer will hold office until their successors are duly elected at any shareholders' meeting.

It is expected that Pierre Ayotte, Pierre Monet, Rafael Percopo and Francisco Perez Jr. will devote 100% of their time to the business of Terranueva, that Louis Doyle will devote 50% of his time to the business of Terranueva and that Sylvain Aird, Marc-André Aubé, Patrice Boily and Alain Bureau will devote 5% of their time to the business of Terranueva.

Messrs. Pierre Ayotte, Pierre Monet, Rafael Percopo and Francisco Perez Jr. are the directors or officers who have experience within the business field of the Resulting Issuer.

Board Committees

As indicated in the table above, the Board of Directors of the Resulting Issuer will have two committees, namely the Corporate Governance Committee, expected to be composed of Sylvain Aird, Alain Bureau and Louis Doyle, and the Audit Committee, expected to be composed of Marc-André Aubé, Patrice Boily and Alain Bureau.

Based on the foregoing and their respective above bios at Section *Information Concerning the Resulting Issuer - Directors, Officers and Promoters*, all Audit Committee members have developed the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements and has knowledge thereof.

Marc-André Aubé is a CFA by training and holds an MBA from the HEC Montréal. He is the current President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. Before joining Walter, Mr. Aubé was President & Chief Operating Officer Canada, Protective Services of Garda World Security Corporation. He also has experience in finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc.

Patrice Boily is Chief Executive Officer of Lune Rouge 360, a marketing solutions and web and mobile applications company, and was previously strategic advisor Cash Services, Canada and United States, for Garda World Security Corporation.

Alain Bureau is President and Chief Executive Officer of Toachi Mining Inc., and was the President and CEO of Ressources Pershimco Inc (now Orla Mining Ltd.), two exploration mining companies listed on the TSX-V. In the past, he has been involved in several major international mining projects and as national construction manager.

Promoter

Francisco Junior Perez and Pierre Ayotte may be considered to be the Promoters of the Resulting Issuer as they took the initiative in founding and organizing the business of Terranueva Pharma and they are founding shareholders, directors and principal officers of Terranueva Pharma. Upon closing of the Transaction and the Maximum Placement, Francisco Junior Perez will hold, directly and indirectly, 11,027,429 Common Shares of the Corporation, representing 31.47% (30.43% if the Over-Allotment Option is exercise in full) (34.96% following the Transaction and the Minimum Placement) of the Corporation's Common Shares for

a value of \$0.50 per Common Share. Upon closing of the Transaction and the Maximum Placement, Pierre Ayotte will hold, directly and indirectly, 2,433,600 Common Shares of the Corporation, representing 6.94% (6.71% if the Over-Allotment Option is exercised in full) (7.72% following the Transaction and the Minimum Placement) of the Corporation's Common Shares for a value of \$0.50 per Common Share. The Resulting Issuer will not have investor relations firm or persons.

Corporate cease trade orders, bankruptcies, penalties or sanctions

To the Corporation's knowledge, no director, officer or Promoter of the Resulting Issuer is, as of this day, or has been in the past ten (10) years before the date, a director, Chief Executive Officer or Chief Financial Officer of the Corporation or of any other Company that was the subject of a cease trade or similar order, or an order that denied to the Corporation the access to any exemption under securities legislation for a period or more than thirty (30) consecutive days and pronounced:

- (a) while that person was acting in that capacity; or
- (b) after the director or executive officer ceased to be a director or executive officer in the Corporation arising from an event arising while that person was acting in that capacity.

To the Corporation's knowledge, no proposed director, officer or Promoter of the Resulting Issuer:

- (a) is, as of this day, or has been within ten (10) years before this date, a director or executive officer of any other 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;
- (b) has, within the ten (10) years before this date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
- (c) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Pierre Monet was director of Malaga Inc. ("**Malaga**") since June 2007. In June 2013, Malaga filed a notice of intention to make a proposal pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada). These proceedings have the effect of imposing an automatic stay of proceedings that will protect Malaga and its assets from the claims of creditors and others while Malaga pursues its restructuring efforts. Malaga submitted a proposal dated October 4, 2013 to its creditors. Such proposal was accepted by the creditors pursuant to a vote held on December 13, 2013 and approved by judgment of the Superior Court rendered on January 7, 2014.

Conflict of Interest

Management of the Resulting Issuer is not aware of any direct or indirect conflicts of interests of any director, proposed nominee for the position of director, officer or Promoter, or any of the Members of the

same group, nor of any of the Persons who are related to them, in connection with the proposed Transaction. Conflicts of interest, if any, will be subject to the procedures and remedies provided by the CBCA.

Decisions made by proposed directors or officers in conflict of interests that will involve the Resulting Issuer will be made in such a manner as to comply with their duties and obligations to act honestly and in good faith with respect to the Resulting Issuer and to any other Company. In addition, such directors and officers must disclose their potential conflicts of interest before answering any question and must abstain from voting on such matters.

Experience with Other Reporting Issuers

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last five (5) years, directors, officers or Promoters of other reporting issuers:

<u>Name</u>	<u>Name of Reporting Issuer</u>	<u>Name of Exchange or Market</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Sylvain Aird	Borex Inc.	Toronto Stock Exchange	Vice-President, Business Development – Europe/ Vice-President, Borex Europe, Secretary and Chief Legal Officer/ Insider	05/2005	---
Marc-André Aubé	Garda World Security Corporation	Toronto Stock Exchange (2007 to 2012)	Insider, President and Operations Director	06/2007	01/2017
Patrice Boily	Garda World Security Corporation	Toronto Stock Exchange (2007 to 2012)	Vice-President	05/2003	06/2014
Alain Bureau	Toachi Mining Inc.	TSX-V	President and Chief Executive Officer	01/2018	---
	Pershimex Ressources Corporation	TSX-V	Director	12/2017	---
	Orla Mining Ltd.	TSX-V	Director	12/2016	06/2017
	Pershimco Resources Inc.	TSX-V (2006 to 2016)	Chief Executive Officer	11/2006	12/2016
Louis Doyle	Abitibi Royalties Inc.	TSX-V	Director	06/2016	---

Pierre Monet	Malaga Inc.	Toronto Stock Exchange	President and Chief Executive Officer	08/2007	01/2014
	Canadian Metals Inc.	Canadian Securities Exchange	Vice-President Finance and Chief Financial Officer	02/2018	07/2018
	Pershimco Resources Inc.	TSX-V (2006 to 2016)	Vice-President Finance and Chief Financial Officer	03/2014	12/2016

INDEBTEDNESS OF DIRECTORS, OFFICERS, PROMOTERS AND OTHER MANAGEMENT

As the date hereof, none of the directors or officers of the Corporation or Terranueva Pharma, nor any of the proposed directors or officers of the Resulting Issuer, nor any other individual who at any time during the most recently completed financial year of the Corporation or Terranueva Pharma was a director or officer of the Corporation or Terranueva Pharma, nor any of their Associates, is indebted to the Corporation or Terranueva Pharma, and none of any of these individuals or Associates has indebtedness to another entity that is subject to a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Terranueva Pharma or the Corporation.

INVESTOR RELATIONS ARRANGEMENTS

The Corporation is not a party to any written or oral agreement or understanding with any person to provide any promotional or investor relations services to the Corporation or the Resulting Issuer or to engage in activities for the purposes of stabilizing the market, either now or in the future.

COMPENSATION OF DIRECTORS AND EXECUTIVES MANAGEMENT

Compensation of Directors and Executive Management

The following synoptic chart presents selected information regarding the expected remuneration of: (i) the President and Chief Executive Officer; (ii) the Chief Financial Officer; (iii) as well as the three most highly compensated executive officer of the Resulting Issuer, with the exception of the Chief Executive Officer and the Chief Financial Officer, for the twelve (12) months period following the completion of the Transaction (collectively, the "**Designated Executive Officers of the Resulting Issuer**"), for services to

be rendered to the Resulting Issuer. These amounts include the annual base salary and certain other forms of remuneration.

Table of Compensation Excluding Compensation Securities					
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Committee or Meeting fee (\$)	Value of all Other Compensation (\$)	Total Compensation (\$)
Pierre Ayotte, President and Chief Executive Officer (CEO), Director	12 months following the Closing of the Transaction	72,917	NIL	-	72,917
Louis Doyle, Chief Compliance and Security Officer (CSO), Director	12 months following the Closing of the Transaction	42,000	NIL	-	42,000
Pierre Monet, Chief Financial Officer (CFO)	12 months following the Closing of the Transaction	125,000	NIL	-	125,000
Rafael Percopo, R&D and Quality Control (QP), Director	12 months following the Closing of the Transaction	125,000	NIL	-	125,000
Francisco Perez Jr., Chief Operating Officer (COO), Director	12 months following the Closing of the Transaction	100,000	NIL	-	100,000

Pension Plan

There will be no pension plan for the Designated Executive Officers of the Resulting Issuer.

Compensation Analysis

General Principles of Executive Compensation

Although the Resulting Issuer will not adopt a formal compensation program due to its current development stage, remuneration will play important role to attract, motivate and retain key members of the management team required for its success and to drive strategic growth initiatives.

Compensation will be designed so as to constitute adequate reward for services and incentive for the executive management team to implement strategies aimed at increasing share value and creating economic value. The compensation will also be established according to the duties and responsibilities that rest on the individuals and their own level of performance. Compensation will be developed by keeping in mind the limitations of the Resulting Issuer, which will be due to the activities of the Resulting Issuer, as it will be a small cannabis corporation and has no precedents of benefits.

The Resulting Issuer will be committed to a total compensation that: (a) will be competitive with the compensation received by executives employed by other small cannabis corporation, without conducting formal benchmark with peers; (b) will link the executives' interests with those of the shareholders; and, (c) will reward superior performance. The Corporate Governance Committee of the Resulting Issuer will not consider the implications of the risks associated with the small cannabis corporation's compensation policies and practices.

Determining Compensation

The compensation of the Designated Executive Officers of the Resulting Issuer will be established by the Board of Directors, upon the recommendation of the Corporate Governance Committee. Messrs. Louis Doyle, Sylvain Aird and Alain Bureau are the expected members of the Corporate Governance Committee of the Resulting Issuer.

The compensation of the Designated Executive Officers of the Resulting Issuer, other than the President and Chief Executive Officer, will be proposed by the President and Chief Executive Officer to the Corporate Governance Committee of the Resulting Issuer, which will recommend the adoption by the Board of Directors after independent negotiations with each executive officer. The compensation of the President and Chief Executive Officer will be established by the Corporate Governance Committee, which will recommend the adoption by the Board of Directors.

Components of Overall Compensation

When assessing total direct annual compensation, the Resulting Issuer will focus on four key components which are intended to collectively make up most of an executive total compensation opportunity and to reward past and current performance and to create incentives with respect to future performance. These four key components are comprised of fixed elements, namely base salary and the possibility to participate to the collective insurance plans, and variable compensation elements provided through incentives bonus and the grant of Common Shares stock options of the Resulting Issuer.

Base Salary

Base salary will be evaluated based on comparisons to the base salaries offered by small capital stock companies in the cannabis industry, as well as on more subjective criteria such as internal equity and individual contributions to the results of the Resulting Issuer. The Resulting Issuer's view will be that a competitive base salary is a necessary element for retaining qualified executive officers. Base salaries will be negotiated on an individual basis with each of the executive officers and will be subject to an annual review.

Based upon their respective experience in the cannabis sector, the members of the Corporate Governance Committee of the Resulting Issuer will re-evaluate the base salary component of the compensation for the Designated Executive Officers of the Resulting Issuer on a going forward basis to ensure that it reflects salaries offered for positions involving similar responsibilities and complexity, internal equity comparisons, as well as the ability and experience of the Resulting Issuer's Designated Executive Officers. Therefore,

compensation paid during a financial year will not be necessarily indicative of expected compensation levels in the future.

Incentive Bonus

The Resulting Issuer will be in a growth period, and as such, incentive bonuses will not be granted, despite the satisfactory work accomplished by its Designated Executive Officers. This decision will be made with the view of maintaining a healthy financial position.

Option-Based Award Plan

The grant of stock options will be part of the long-term incentive component of executive compensation and will be an essential part of compensation. The Designated Executive Officers of the Resulting Issuer may participate in the Resulting Issuer’s stock option plan, which will be designed to encourage optionees to link their interests with those of shareholders, in order to increase the value for shareholders. Besides the complementary aspect to compensation, the stock options award to Members of the Board and Designated Executive Officers of the Resulting Issuer will aim to encourage their participation in the growth and development of the Resulting Issuer by providing them with the opportunity through common shares options to acquire or increase a financial stake in the Resulting Issuer and thereby motivate them to carry out the strategic initiatives of the Resulting Issuer. The number of options granted will be determined following deliberations of the Board of Directors, upon the recommendation of the Corporate Governance Committee, and based on several factors, such as the investment in time and money, the functions and responsibilities related to the position, the level of responsibility and the general contribution that an individual can bring to the Resulting Issuer in terms of experience, knowledge of the cannabis sector and other qualities of the individual, the whole, without taking into account previous grants. There will be no specific weighting given to each of these criteria, which will be considered as a whole and according to the circumstances of each Participant.

STOCK OPTIONS

The following table illustrates a summary of the Options of the Resulting Issuer which will be outstanding pursuant to the Stock Option Plan upon Closing of the Transaction:

Group	Number of Options (Securities Under Option (post-Transaction))	Exercise Price (post-Transaction)	Date of Grant	Expiry Date	Market Value of the Common Shares on the Date of Grant (post-Transaction)	Market Value of the Common Shares on the Date of the Information Circular
Current and past executive officers (2 Nbr.) and Directors who are not also executive officers (2 Nbr.) of the Resulting Issuer	59,375 Options (59,375 Common Shares)	\$1.60	March 28, 2013	March 27, 2023	\$0.40	\$0.50

	68,750 Options (68,750 Common Shares)	\$0.80	January 22, 2014	January 21, 2024	\$0.64	\$0.50
	59,375 Options (59,375 Common Shares)	\$0.80	March 26, 2015	March 25, 2025	\$0.24	\$0.50
	62,500 Options (62,500 Common Shares)	\$0.80	March 30, 2017	March 29, 2027	\$0.40	\$0.50
	31,250 Options 31,250 Common Shares	\$1.20	January 11, 2018	January 10, 2028	\$1.20	\$0.50
Current and past executive officers (Nil.) and Directors who are not also executive officers (Nil) of the subsidiaries of the Resulting Issuer	Nil	Nil	Nil	Nil	Nil	Nil
Current and past other employees of the Resulting Issuer	Nil	Nil	Nil	Nil	Nil	Nil
Current and past other employees of the subsidiaries of the Resulting Issuer	Nil	Nil	Nil	Nil	Nil	Nil
Consultants of the Resulting Issuer	9,375 Options (9,375 Common Shares)	\$1.60	March 28, 2013	March 27, 2023	\$0.40	\$0.50
	6,250 Options (6,250 Common Shares)	\$0.80	January 22, 2014	January 21, 2024	\$0.64	\$0.50

	9,375 Options (9,375 Common Shares)	\$0.80	March 26, 2015	March 25, 2025	\$0.24	\$0.50
	93,750 Options (125,000 Common Shares)	\$1.20	January 11, 2018	January 10, 2028	\$1.20	\$0.50
Other person or company	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL:	400,000 Options (400,000 Common Shares)					

Options are subject to the Stock Option Plan of the Resulting Issuer. Under the Stock Option Plan, options to purchase shares are granted to directors, officers, employees and consultants of Terranueva in order to encourage them to contribute in achieving its goal of increasing shareholder value. The Board of Directors determines which person is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options.

The Board of Directors make these decisions subject to the Stock Option Plan and, where applicable, the policies of the Exchange.

Under the Stock Option Plan, the number of shares reserved for issuance to an individual must not exceed 5% of the number of issued and outstanding shares of Terranueva share capital within a period of one year (on a non-diluted basis) less the aggregate number of shares already reserved for issuance to such person under any other stock option granted as an incentive or compensation.

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term couldn't exceed 10 years from the date of the grant.

ESCROWED SECURITIES

As required by the Exchange's policies and National Policy 46-201 – *Escrow for Initial Public Offerings*, upon completion of the Acquisition, 17,634,666 Common Shares (collectively defined herein, “**Escrowed Shares**”) held by Related Persons of the Resulting Issuer, which would represent 55.91% of the Common Shares issued and outstanding upon completion of the Minimum Placement (50.32% upon completion of the Maximum Placement) (48.66% if the Over-Allotment Option is exercise in full), will be escrowed pursuant to an escrow agreement to be entered among Computershare Investor Services Inc., Sylvain Aird, Francisco Perez Jr., Fiducie Castillo, GMTN Inc., Alain Bureau, Pierre Monet, Pierre Ayotte, Louis Doyle and Marc-André Aubé. The Exchange reserves the right to escrow other Common Shares.

The following table sets forth, regarding the Related Persons of the Resulting Issuer concerned, the name and municipality of residence of the securityholders, the number of securities of each class of securities of the Resulting Issuer that must be escrowed in accordance with the Exchange policies after the completion of the Transaction and the percentage of the outstanding securities of each class, to the knowledge of the

Corporation, Terranueva Pharma and Terranueva Pharma's shareholders as of the date of this Information Circular.

Name and Municipality of Residence	Anticipated Number and Percentage of Common Shares (post-Transaction) Held or Controlled on Completion of the Acquisition ⁽¹⁾	
	Minimum Placement	Maximum Placement ⁽²⁾
Sylvain Aird Montréal (Québec)	137,906 0.44%	137,906 0.39%
Marc-André Aubé Ville Mont-Royal (Québec)	443,508 1.41%	443,508 1.27%
Pierre Ayotte Laval (Québec)	1,133,565 3.59%	1,133,565 3.23%
Alain Bureau Rio Hato (Panama)	197,134 0.62%	197,134 0.56%
Louis Doyle Kirkland (Québec)	197,134 0.62%	197,134 0.56%
Fiducie Castillo Repentigny (Québec)	7,464,818 23.67%	7,464,418 21.30%
GMTN Inc.⁽³⁾ Laval (Québec)	4,818,838 15.28%	4,818,838 13.75%
Pierre Monet Ville Mont-Royal (Québec)	394,268 1.00%	394,268 1.13%
Francisco Perez Jr. Repentigny (Québec)	2,847,495 9.03%	2,847,495 8.13%

Notes:

- (1) Assuming those shareholders will not subscribe to the Placement.
- (2) Assuming no exercise of the Over-Allotment Option.
- (3) Francisco Perez Jr., Pierre Monet, Rafael Percopo, Fiducie Familiale Lorient, Petrie Raymond Gestion Conseil Inc. and Pierre Ayotte are shareholders of GMTN Inc.

Escrow releases of the Escrow Shares in pro rata to the holding of their holders will be scheduled as follows: 10% will be released on the date that the Common Shares commence trading on the Exchange following the final approval by the Exchange followed by six subsequent releases of 15% each every six months thereafter.

<u>Release Dates</u>	<u>Percentage of Total Escrowed Shares to be Released</u>	<u>Total Number of Escrowed Securities to be Released</u>
Date of Final Press Release	10%	1,763,466
6 months following date of Final Press Release	15%	2,645,200
12 months following date of Final Press Release	15%	2,645,200
18 months following date of Final Press Release	15%	2,645,200
24 months following date of Final Press Release	15%	2,645,200
30 months following date of Final Press Release	15%	2,645,200
36 months following date of Final Press Release	15%	2,645,200
TOTAL	100 %	17,634,666

In addition, 6,093,750 Common Shares, 2,250,000 Warrants and 360,000 Agent Warrants upon completion of the Transaction and the Minimum Placement and 9,593,750 Common Shares, 4,000,000 Warrants and 640,000 Agent Warrants upon completion of the Transaction and the Maximum Placement (10,793,750 Common Shares, 4,600,000 Warrants and 736,000 Agent Warrants if the Over-Allotment Option is exercised in full) will be subject to a four (4) month and one (1) day resale restriction period. Additional restrictions on the resale of securities held by persons who are not Related Persons of the Resulting Issuer may also be required by the relevant stock exchange authorities in accordance with applicable policies.

Where the Escrowed Shares are held by a non-individual (a “**Holding Company**”), each Holding Company pursuant to the Escrow Agreement will agree not to carry out any transactions through the duration of the Escrow Agreement which would result in a change of control of the Holding Company, without the consent of the Exchange. Any Holding Company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities if such issuance or transfer could reasonably result in a change of control of the Holding Company. In addition, the Exchange will require an undertaking from any Control Person of the Holding Company not to transfer the shares of that company.

AUDITORS, TRANSFER AGENT

It is anticipated that PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., a partnership of Chartered Professional Accountants, with their offices located at 1250, René-Lévesque West Blvd, Suite 2500, Montréal (Québec) H3B 4Y1, will be the auditors of the Resulting Issuer after giving effect to the Transaction.

Computershare Investor Services Inc., at its place of business at 1500, boulevard Robert-Bourassa, Suite 700, Montréal (Québec) H3A 5S8, will be the Resulting Issuer’s transfer agent and registrar of the Common Shares of the Resulting Issuer; those registers are located in Montréal and Toronto.

PART VI – GENERAL MATTERS

Other Material Facts

There are no material facts about the Corporation, Terranueva Pharma, the Resulting Issuer or the Transaction that are not disclosed under the preceding items and are necessary in order for the Information Circular to contain full, true and plain disclosure of all material facts relating to the Corporation, Terranueva Pharma and the Resulting Issuer, assuming Closing of the Transaction.

Board of Directors

The Board of Directors of the Corporation has approved the Information Circular.

Additional Information

Any additional information relating to the Corporation is on SEDAR at www.sedar.com. Securityholders may contact the Corporation to request copies of the Annual and Interim Financial Statements of Axe by contacting the following person: David Mc Donald President and Chief Executive Officer of Axe Exploration Inc., at (450) 622-5785.

All financial information is provided in the Annual and Interim Financial Statements of Axe for its most recently completed financial year and interim period.

TERRANUEVA PHARMA FINANCIAL STATEMENTS

Terranueva Pharma Corporation

Financial Statements

July 31, 2018

(expressed in Canadian dollars)



October 18, 2018

Independent Auditor's Report

To the Shareholders of Terranueva Pharma Corporation

We have audited the accompanying financial statements of Terranueva Pharma Corporation, which comprise the statement of financial position as at July 31, 2018 and the statements of loss and comprehensive loss, changes in equity and cash flows for the eight-month period then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Terranueva Pharma Corporation as at July 31, 2018 and its financial performance and its cash flows for the eight-month period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 of the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A110416

Terranueva Pharma Corporation

Statement of Financial Position

As at July 31, 2018

(expressed in Canadian dollars)

	Note	\$
Assets		
Current assets		
Cash	4	625,845
Prepaid expenses		2,200
Consumption taxes recoverable		51,546
		<u>679,591</u>
Non-current assets		
Construction in progress	5	367,099
Rights of use	6	2,902,183
		<u>3,948,873</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		121,071
Lease obligation	6	6,833
Convertible debentures	7	701,420
		<u>829,324</u>
Non-current liabilities		
Lease obligation	6	2,943,321
Convertible debentures	7	419,890
		<u>4,192,535</u>
Shareholders' Equity		
Share capital	8	9
Conversion options		78,560
Deficit		<u>(322,231)</u>
		<u>(243,662)</u>
		<u>3,948,873</u>
Going concern	2	

Approved by the Board of Directors

(Signed) Francisco Perez Jr. Director (Signed) Pierre Ayotte Director

The accompanying notes are an integral part of these financial statements.

Terranueva Pharma Corporation
Statement of Loss and Comprehensive Loss
For the eight-month period ended July 31, 2018

(expressed in Canadian dollars)

	Note	\$
Expenses		
Professional fees		178,051
Marketing and promotion		11,604
Amortization of rights of use		15,127
General and administrative expenses		52,483
Financing cost	11	<u>93,966</u>
Income before deferred tax		351,231
Deferred tax		<u>(29,000)</u>
Loss and comprehensive loss for the period		<u>322,231</u>
Loss per share, basic and diluted	12	<u>3.51</u>

The accompanying notes are an integral part of these financial statements.

Terranueva Pharma Corporation

Statement of Changes in Equity

For the eight-month period ended July 31, 2018

(expressed in Canadian dollars)

	Common shares	Conversion options	Deficit	Total
	\$	\$	\$	\$
Loss and comprehensive loss for the period	-	-	(322,231)	(322,231)
Share issuance	9	-	-	9
Equity component of convertible debentures, net of future income taxes of \$29,000	-	78,560	-	78,560
Shareholders' equity (deficiency) as at July 31, 2018	9	78,560	(322,231)	(243,662)

The accompanying notes are an integral part of these financial statements.

Terranueva Pharma Corporation
Statement of Cash Flows
For the eight-month period ended July 31, 2018

(expressed in Canadian dollars)

	Note	\$
Cash flows provided by (used in)		
Operating activities		
Loss for the period		(322,231)
Adjustments for		
Interest on lease obligation and convertible debentures		61,734
Deferred tax		(29,000)
Amortization of rights of use		15,127
		<u>(274,370)</u>
Change in non-cash working capital items	10	<u>(29,546)</u>
		<u>(303,916)</u>
Investing activities		
Construction in progress		<u>(270,228)</u>
Financing activities		
Share issuance		9
Convertible debentures issuance		<u>1,199,980</u>
		<u>1,199,989</u>
Net change in cash during the period and cash – End of period		<u>625,845</u>

The accompanying notes are an integral part of these financial statements.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

1 Description of operations

Terranueva Pharma Corporation (the “Corporation”) was incorporated under the Canada Business Corporations Act on November 28, 2017. Its head office is located at 3030 Le Carrefour Blvd., Suite 1002, Laval, Quebec, Canada. The Corporation aims to become a producer of cannabis for medical purposes.

2 Basis of presentation and going concern

These financial statements have been prepared on a going concern basis.

Although the Corporation has started to invest resources to develop a medicinal cannabis company, there is no assurance that a Licence to Produce will be granted to the Corporation, nor is there a timeframe for when such a licence will be granted.

To date, the Corporation has not generated any income, accumulating a deficit of \$322,231, and is considered to be in start-up phase. The Corporation’s ability to continue as a going concern depends on whether it can realize its assets and obtain new funds. Even though it has managed in the past to obtain the necessary funds by issuing debentures, and expects to use capital funding in the future (note 17 (a)), there is no assurance it will be successful in the future. The application of International Financial Reporting Standards (IFRS) on a going concern basis may be inappropriate as there is significant doubt about the validity of the assumption.

These financial statements do not take into account the adjustments that should be made to the carrying amount of the assets and liabilities, the amounts reported as revenues and expenses, and the classification of the items on the statement of financial position if the going concern basis was not valid, and such adjustments could be significant. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

The Corporation uses judgments and estimates involving critical accounting policies. It also requires management to exercise judgment in applying the accounting policies used by the Corporation, as set out in note 3.

The significant accounting policies used to prepare these financial statements are summarized in note 3.

The publication of the Corporation’s financial statements was approved and authorized by the Board of Directors on October 18, 2018.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

3 Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with the IFRS, as issued by the International Accounting Standards Board (IASB).

Cash

Cash is composed of cash on hand and cash in trust.

Financial instruments

The Corporation has early adopted IFRS 9, "Financial Instruments".

The financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive the cash flows have expired or were transferred and when the Corporation has transferred substantially all the risks and rewards of ownership of the transferred asset.

Financial assets and financial liabilities are offset and the net balance is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

All financial instruments must be initially recognized at fair value, which is based on market prices unless the financial instruments have not been traded in an active market. In such case, fair value is determined using valuation techniques like the Black-Scholes pricing model or other valuation techniques.

Measurement after initial recognition depends on the classification of the financial instrument. The Corporation has classified its financial instruments in the following categories, depending on the purposes for which the instruments were acquired and on their characteristics.

i) Financial assets

Debt securities

Debt security investments are subsequently measured at amortized cost when the asset is held within a business model whose objective is to hold these assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

Investments in debt securities are subsequently measured at fair value when they do not qualify for measurement at amortized cost. Financial instruments subsequently measured at fair value may be recognized at fair value with changes in fair value recognized in profit or loss, unless they are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell the assets and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, in which case unrealized gains and losses are initially recognized in other comprehensive income and subsequently reclassified in profit or loss through the amortization of premiums and discounts, impairment losses or reversal of any previously recognized impairment.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The Corporation has classified its financial instruments as follows:

Category	Financial instruments
Financial assets at amortized cost	Cash
Financial liabilities at amortized cost	Accounts payable and accrued liabilities
	Convertible debentures

Construction in progress

Construction in progress is not depreciated during the construction period. It will be depreciated when the asset becomes available for its intended use.

Leases

The Corporation has decided to early adopt IFRS 16, "Leases".

Leases are classified as right-of-use assets and lease obligations, and are recognized when the underlying asset is made available to the Corporation. The rights of use are amortized to the earlier of the end of the useful life of the right-of-use asset or the lease term unless the Corporation is expected to become the owner of the assets, in which case only the useful life of the asset is taken into account. Each lease payment is apportioned between the lease obligation and the financing cost. The financing cost is recorded as an expense during the lease term so as to produce a constant periodic interest expense on the remaining balance of the lease obligation in each period.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

Lease assets and liabilities are measured initially on a discounted basis. The lease obligation includes the present value of the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected by the Corporation to be payable under residual value guarantees;
- the exercise price of the purchase option if the Corporation is reasonably certain that it will need to pay it; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising an option to terminate the lease.

Lease payments are discounted at the lease implied interest rate, if that rate can be determined, or at the Corporation's incremental borrowing rate.

The right-of-use assets are measured at cost and comprise:

- the initial amount of the lease obligation;
- any lease payments made at or before the commencement date of the lease, less any lease incentives;
- any initial direct costs incurred by the lessee; and
- an estimate of costs for dismantling the asset and restoring the site.

Payments associated with short-term leases or leases of low-value assets are recognized as an expense on a straight-line basis. A short-term lease is a lease with a term of less than 12 months. Low-value assets include computer equipment and small furniture items.

Critical judgment in determining the term of the lease

In order to determine the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend the lease, an option to terminate the lease or an option to purchase. Such options are taken into account if it is reasonably certain that they will be exercised. As described in note 6, the Corporation expects to exercise the option to purchase on the property leased in April 2020.

A reassessment will be made upon the occurrence of significant events or changes in circumstances that would affect this assessment and are within the Corporation's control.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

Income taxes

Tax expense comprises current tax and deferred tax. Taxes are recognized in income unless they relate to items reported in other comprehensive income or directly in equity.

Current tax

The current tax assets or liabilities include the amounts expected to be paid to or recovered from the taxation authorities for the current and prior periods, and which have not been settled at the end of the reporting period. The current tax expense is based on income for the period after adjustments for non-taxable or non-deductible items. Current tax is calculated using the tax rates and tax laws enacted or substantially enacted by the end of the reporting period. Management assesses on a regular basis the positions taken in tax returns regarding cases in which the applicable tax law is subject to interpretation.

Deferred tax

Deferred tax is accounted for using the liability method, applicable to temporary differences between the tax bases of the assets and liabilities and their reported carrying value in the statement of financial position. Deferred tax assets and liabilities are calculated without discounting, using tax rates expected to be applied during the period in which they are realized if such rates have been enacted or substantially enacted by the end of the reporting period.

Deferred tax liabilities

In general, deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets

Deferred tax assets are accounted for to the extent that it is probable that they will allow a future taxable profit to be offset. They are examined at the end of the reporting period and reduced if it is not certain that the taxable profit will be sufficient to recover all or part of the deferred tax assets; in such cases the assets must be reduced.

Deferred tax assets and liabilities are not recognized for temporary differences arising at the initial recognition of assets and liabilities acquired in a context other than a business combination.

Deferred tax assets and liabilities are offset only if the Corporation has a right and intends to offset the current tax assets and liabilities arising from the same taxation authorities.

Changes in deferred tax assets and liabilities are accounted for as a tax expense or income, unless they relate to items recognized in other comprehensive income or directly in equity, in which case the corresponding deferred taxes are also recognized in other comprehensive income or in equity, respectively.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is equivalent to the best estimate of the expenditure required to settle the present obligation at the end of each reporting period, taking into account the obligation's risks and uncertainties, its carrying amount and the present value of its cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Earnings per share

The calculation of earnings per share (EPS) is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing profit or loss attributable to common equity holders of the Corporation by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The if-converted method is used to determine the dilutive effect of convertible debentures. When the Corporation reports a loss, the diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the convertible debentures.

4 Treasury

	\$
Cash on hand	472
Cash held in trust	<u>625,373</u>
	<u>625,845</u>

5 Construction in progress

Construction in progress comprises engineering and architecture expenses incurred in relation to leasehold improvements and equipment.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

6 Rights of use and lease obligation

- i) Amounts recognized on the statement of financial position

The statement of financial position presents the following amounts relative to leases:

	\$
Rights of use	
Land	799,486
Building	<u>2,102,697</u>
	<u>2,902,183</u>
Lease obligation	
Current liabilities	6,833
Non-current liabilities	<u>2,943,321</u>
	<u>2,950,154</u>

- ii) Amounts recognized on the statement of loss and comprehensive loss

The statement of loss and comprehensive loss presents the following amounts relative to leases:

	\$
Amortization expense for rights to use building	<u>15,127</u>
Interest expense for lease obligation	<u>59,844</u>

- iii) Operations and recognition of leases

The rights of use reflect rights to use land and a building held under a lease for a 10-year term under which the Corporation has purchase options that may be exercised at any time since the signing of the lease, options that the Corporation intends to exercise during fiscal 2020. In this regard, the rights to use the land are not amortized, while the rights to use the building are amortized over an estimated life of 35 years.

Lease obligation is calculated at an interest rate of 8.20% for a period initially estimated at 24 months, ending April 30, 2020, the intended date for the exercise of the option to purchase.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

7 Convertible debentures

	\$
Par value of \$100,000, bearing interest at an annual rate of 10%, maturing in October 2018 ⁽¹⁾	100,000
Par value of \$600,000, bearing interest at an annual rate of 10%, convertible at the holder's option into 13,500 common shares, maturing in November 2018 ⁽²⁾	601,420
Par value of \$500,000, bearing interest at an annual rate of 7%, maturing in January 2020 ⁽³⁾	<u>419,890</u>
Current portion	<u>1,121,310</u> <u>(701,420)</u>
	<u>419,890</u>

- (1) Debentures retractable at any time at the Corporation's option at par value plus accrued interest. These debentures are convertible into 2,250 common shares at the holder's option only in the event of default by the Corporation or if the Corporation exercises its right of retraction. These debentures are unsecured.
- (2) The liabilities are discounted at a rate of 20%. These debentures are secured by present and future assets.
- (3) One third of the par value will be automatically converted into 3,750 common shares when the Corporation is listed on a recognized stock exchange and one third of the par value will be convertible into 3,750 common shares at the holder's option for 60 days following the Corporation's listing on a recognized stock exchange. The last third is not convertible. The liabilities are discounted at a rate of 21%. These debentures are unsecured.

The Corporation did not incur any significant transaction costs for the issuance of these convertible debentures.

8 Share capital

Authorized

Unlimited number of common shares

When it was formed, the Corporation issued 91,750 common shares at a price of \$0.0001 per share for gross cash proceeds of \$9.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

9 Income taxes

Income tax expense differs from the amount that would be calculated by applying the federal and provincial tax rates to the operating loss before income taxes, as indicated below:

Expected tax rate	26.9%
Expected tax recovery due to the loss	\$86,680
Deferred tax loss not recognized	\$(57,680)
Income tax recovery	\$(29,000)

The Corporation has an approximate amount of losses, other than capital losses, to reduce federal and provincial taxable income in future years. The amount of \$322,231 will expire in 2038.

10 Changes in non-cash working capital items

	\$
Prepaid expenses	(2,200)
Consumption taxes recoverable	(51,546)
Accounts payable and accrued liabilities	<u>24,200</u>
	<u>(29,546)</u>

11 Financing cost

	\$
Interest on debentures	34,123
Interest on lease obligation	<u>59,843</u>
	<u>93,966</u>

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

12 Loss per share

Loss attributable to the Corporation's shareholders	<u>\$(322,231)</u>
Basic weighted average number of common shares outstanding	91,750
Dilutive effect of convertible debentures*	<u>-</u>
Diluted weighted average number of common shares	<u>91,750</u>
Loss per share attributable to the Corporation's shareholders Basic and diluted	<u>\$(3.51)</u>

* For the eight-month period ended July 31, 2018, 21,000 common shares underlying the convertible debentures were excluded from the calculation of the diluted loss per share because their effect would have been anti-dilutive.

13 Related party disclosures

Remuneration of key management personnel

The key management personnel are the four individuals with authority and responsibility, direct or indirect, for planning, orientation and control of the Corporation's operations. They include the senior executives and directors of the Corporation.

The remuneration given to the key management personnel is as follows:

	\$
Professional fees	<u>116,573</u>

These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

During the eight-month period ended July 31, 2018, the Corporation paid general and administrative expenses totalling \$14,181 to a company controlled by a director. These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

14 Financial instruments

Management of financial risk

Due to its operations, the Corporation is exposed to various financial risks, such as market risk, which includes currency risk and interest rate risk, credit risk and liquidity risk.

The Corporation, through its financial instruments, is exposed to various risks, without being exposed to concentrations of risk.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Corporation does not have any foreign currency-denominated assets or liabilities, currency risk is not considered significant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Since the Corporation's assets and liabilities, except for convertible debentures (notes 7 and 17(b)) are classified mainly as current assets or liabilities or do not bear interest, they have little exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Corporation would be unable to honour its financial obligations when they fall due. The Corporation manages its liquidity risk by closely monitoring its capital requirements. As at July 31, 2018, the Corporation's cash amounted to \$625,845. Contractual cash flows related to the Corporation's liabilities, including interest, were as follows:

Contractual maturities	Less than 6 months \$	From 6 to 12 months \$	Over 12 months \$	Total of contractual cash flows \$
Accounts payable and accrued liabilities	555,572	-	-	555,572
Lease obligation	112,500	135,000	2,537,500	2,785,000
Convertible debentures	630,247	138,499	517,623	1,286,369
	<u>1,298,319</u>	<u>273,499</u>	<u>3,055,123</u>	<u>4,626,941</u>

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

The amount of the lease obligation due in more than 12 months reflects the minimum lease term of 10 years and consequently does not reflect the intended exercise of the option to purchase in the amount of \$2,900,000 in 2020 (note 6). The lease obligation also excludes non-lease components such as operating expenses and variable lease payments, including taxes and insurance, which are all paid by the Corporation.

Changes in financial liabilities

Financial liabilities recorded the following changes during the period:

	Convertible debentures \$	Lease liability \$	Total \$
New borrowings	1,092,420	-	1,092,420
New lease	-	2,917,310	2,917,310
Unwinding of the discount	28,890	32,844	61,734
	<u>1,121,310</u>	<u>2,950,154</u>	<u>4,071,464</u>

Fair value

The carrying amount of cash and accounts payable and accrued liabilities approximates fair value because of their short-term maturities. The carrying amount of the convertible debentures approximates fair value because of their recent issuance.

15 Capital management

The Corporation's objective is to maintain sufficient capital to ensure the confidence of investors and creditors as well as to support the Corporation's future development. Management defines capital as the Corporation's equity. The Board of Directors has not established any quantitative criteria for return on equity for management purposes. The Corporation has not paid any dividends to its investors, and is not subject to any external capital requirements.

16 Segmented information

The Corporation operates in only one sector of activity. All its tangible and intangible assets are located in Canada.

Terranueva Pharma Corporation

Notes to Financial Statements

July 31, 2018

(expressed in Canadian dollars)

17 Subsequent events

- a) On July 24, 2018, the Corporation announced the signing of a letter of intent with Axe Exploration Inc. ("Axe"), a company listed on the TSX Venture Exchange, for the acquisition by Axe of all the outstanding shares and securities of the Corporation and which would constitute a reverse takeover under which the Corporation would be deemed to be acquiring Axe. According to the agreement to be signed, Axe has agreed to acquire the shares of the Corporation for consideration of \$10,930,000 payable through the issuance of 21,860,000 common shares post-consolidation at a deemed price of \$0.50 per share. A finder's fee consisting in the issuance of 1,250,000 common shares post-consolidation will be payable to an arm's length party, subject to applicable securities regulations.

Axe will then change its name to Terranueva Corporation. In parallel with the purchase of the Corporation, Axe intends to make a private placement of a minimum of \$2,250,000 and a maximum of \$4,000,000 with several investors, subject to the approval of regulators and stock exchange authorities. These steps will follow a prior consolidation of the common shares of Axe in a ratio of 16 old shares for each new common share, all subject to the approval of regulators and stock exchange authorities.

- b) In August 2018, the Corporation issued a convertible debenture bearing interest at the rate of 7% per annum and having a par value of \$600,000. One third of the par value will be automatically converted into 4,500 common shares when the Corporation is listed on a recognized stock exchange and one third of the par value will be convertible into 4,500 common shares at the holder's option for 60 days following the Corporation's listing on a recognized stock exchange. The last third is not convertible. The debenture as a whole will mature on January 19, 2019.

RESULTING ISSUER'S UNAUDITED PRO FORMA FINANCIAL STATEMENTS

AXE EXPLORATION INC.
STATEMENT OF FINANCIAL POSITION
PRO FORMA
AS OF JULY 31, 2018
(UNAUDITED)

AXE EXPLORATION INC.
PRO FORMA STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2018
(unaudited)
(in canadian dollars)

	AXE Exploration inc. June 30, 2018	Terranueva Pharma Corporation July 31, 2018	Pro forma adjustments (note 2)		Consolidated pro forma
	\$	\$	\$		\$
ASSETS					
Current assets					
Cash	89 115	625 845	(210 000)	(a)	
			2 250 000	(b)	
			(180 000)	(b)	
			600 000	(c)	3 174 960
Investments	705 506				705 506
Prepaid expenses	8 143	2 200			10 343
Sales Tax Receivable	8 401	51 546			59 947
Tax credits related to resources and mining tax credit receivable	848				848
	<u>812 013</u>	<u>679 591</u>	<u>2 460 000</u>		<u>3 951 604</u>
Construction in progress		367 099			367 099
Property, plant and equipment	55 194				55 194
Rights of use		2 902 183			2 902 183
	<u>867 207</u>	<u>3 948 873</u>	<u>2 460 000</u>		<u>7 276 080</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	23 082	121 070			144 152
Rent payable		6 833			6 833
Convertible debentures		701 421	(701 421)	(c)	-
	<u>23 082</u>	<u>829 324</u>	<u>(701 421)</u>		<u>150 985</u>
Long-term liabilities					
Rental obligations	-	2 943 321			2 943 321
Convertible debentures	-	419 890	550 000	(c)	
			(333 333)	(c)	
			30 131	(c)	666 688
EQUITY					
Share capital	7 757 514	9	(7 757 514)	(a)	
			1 966 645	(a)	
			625 000	(a)	
			1 912 500	(b)	
			(180 000)	(b)	
			(27 000)	(b)	
			701 421	(c)	
			18 297	(c)	
			333 333	(c)	5 350 205
Conversion option	-	78 560	(18 297)	(c)	
			50 000	(c)	
			(30 131)	(c)	80 132
Contributed surplus	1 247 945	-	(1 247 945)	(a)	
			84 075	(a)	
			337 500	(b)	
			27 000	(b)	448 575
Deficit	(8 161 334)	(322 231)	8 161 334	(a)	
			(2 041 595)	(a)	(2 363 826)
	<u>867 207</u>	<u>3 948 873</u>	<u>2 460 000</u>		<u>7 276 080</u>

1 Basis of Presentation and Significant Accounting Policies.

The unaudited consolidated pro forma statement of financial position (the "Pro Forma Statement of Financial Position") attached hereto in respect of Axe Exploration Inc. ("Axe") was prepared by the management to take into account the reverse takeover of Axe by Terranueva Pharma Corporation ("Terranueva") as described in note 2 (a) as well as the private placement financing described in note 2 (b).

The Pro Forma Statement of Financial Position was prepared in accordance with the significant accounting policies presented in Terranueva's financial statements as of July 31, 2018 and for the initial period ended on that date. The Pro Forma Statement of Financial Position was drawn up using Axe's unaudited interim financial statements as of June 30, 2018 and the audited financial statements of Terranueva as of July 31, 2018. The Pro Forma Statement of Financial Position should be read in conjunction with each of the companies' financial statements. As part of the preparation of the Pro Forma Statement of Financial Position, certain items in the financial statements were reclassified or condensed.

The Pro Forma Statement of Financial Position includes pro forma adjustments based on the best available information obtained from the management and certain assumptions that the management believes are reasonable under the circumstances.

The Pro Forma Statement of Financial Position as of July 31, 2018 reflects the acquisition as if it had been entered into on that date.

The Pro Forma Statement of Financial Position was prepared based on the assumptions described in note 2 and may not be indicative of the actual financial position that would have occurred had the events discussed in this document been in effect on the dates indicated or of the financial position at future dates.

Axe does not meet the definition of a business set out in Appendix A of IFRS 3, *Business Combinations*. Following the transaction, Axe's senior management and board will mainly consist of former shareholders and directors of Terranueva. In such a transaction, referred to as a reverse takeover, Terranueva is deemed to have issued shares in order to acquire Axe's net assets through the issuance of shares of Terranueva and in order to get listed on the stock exchange. This transaction is considered to be an asset purchase settled through a share-based payment rather than a business combination. This implies that no goodwill is accounted for and any excess of the fair value of the consideration paid over the fair value of the net assets acquired is expensed in net income.

2 Pro Forma Adjustments and Assumptions used to Prepare the Pro Forma Statement of Financial Position

a) Reverse Acquisition of Axe

On July 25, 2018, Axe announced the signing of a letter of intent to acquire all the outstanding shares and securities of Terranueva. Pursuant to the agreement, Axe agreed to acquire all of Terranueva's class "A" shares in consideration for \$10,930,000 payable by the issuance of 21,860,000 common shares ("Common Shares") post-Transaction at a deemed price of \$0.50 per Common Share. Intermediary fees consisting of the issuance of 1,250,000 post-

Transaction Common Shares will be payable to an arm's length party, subject to applicable securities regulations. As a result of the transaction, Terranueva shareholders will control Axe. Thus, the transaction is accounted for as a reverse takeover of Axe by Terranueva, with Terranueva identified as the acquirer.

Prior to the closing of the transaction, Axe will consolidate its common shares on the basis of one (1) post-Transaction Common Share for sixteen (16) pre-transaction outstanding common shares and Axe will then change its name to Terranueva Corporation.

The purpose of this transaction is essentially to turn Terranueva into a public company after the acquisition of all of Axe's net assets and the restructuring of Terranueva's equity, therefore, the unaudited Pro Forma Statement of Financial Position represents the continuity of Terranueva.

The acquired assets and assumed liabilities will be recognized at their fair value at the closing of the transaction and are based on management's initial estimates. Hence, the preliminary estimates of consideration paid and acquired net assets, which are subject to change, are summarized as follows:

Presumed Consideration Paid	\$
3,933,290 Terranueva post-Transaction Common Shares presumed to be issued to existing shareholders of Axe ⁽¹⁾	1,966,645
1,250,000 Terranueva post-Transaction Common Shares issued as intermediary fees	625,000
400,000 Terranueva post-Transaction options to purchase Common Shares deemed issued to the existing holders of Axe ⁽²⁾	84,075
Estimated transaction fees that will be paid in cash	210,000
	<u>2,885,720</u>
Axe net assets as of June 30, 2018	<u>844,125</u>
Exchange listing fees ⁽³⁾	<u>2,041,595</u>

(1) Based on the number of outstanding shares of Axe, post-Transaction, at the Closing date of the agreement. A price of \$0.50 per share was used.

(2) Based on the number of outstanding stock options of Axe, post-Transaction at the Closing date of the agreement. The fair value of the stock options was calculated using a Black & Scholes model using the following assumptions: Risk-free interest rate of 1.80%, expected dividend of 0% on the stock, expected volatility on the stock of 100% and expected life of approximately 3 to 10 years in line with the original maturity of the stock options.

(3) Listing fees have been accounted for in the deficit.

b) Private Placement

All private placement instrument numbers are on a post-transaction basis. Together with the purchase of Terranueva, Axe intends to make a private placement with several investors through a prospectus exemption and subject to the approval of regulatory and stock exchange authorities: i) a minimum of 4,500,000 Units, at a price of \$0.50 each, for a gross proceed of \$2,250,000 (the "Minimum Placement"); or up to a maximum of 8,000,000 Units at a price of \$0.50 each, for a gross proceed of \$4,000,000 (the "Maximum Placement"); as well as the payment of an 8% cash commission and the issuance of warrants to brokers equal to 8% of the number of Units issued (the "Private Placement").

The Units, at a subscription price of \$0.50 each, each consist of one (1) Common Share and one-half (1/2) warrant. Each whole warrant entitles the purchaser to purchase one (1) Common Share of Axe at a price of \$0.65 for a period of eighteen (18) months from the closing date of the Private Placement.

In the case of the Minimum Placement, 2,550,000 warrants that will be issued will be used to acquire 2,250,000 Common Shares of the company at a price of \$0.65 per share for a period of eighteen (18) months. The fair value of these warrants was determined using the Black & Scholes valuation model for an amount of \$337,500 and is recorded as an increase in contributed surplus while an amount of \$1,912,500 is allocated to the value of the share capital.

As part of the Minimum Placement, 360,000 warrants will be issued to the brokers to acquire 360,000 Common Shares at a price of \$ 0.50 per share for a period of eighteen (18) months. The fair value of these warrants was determined using the Black & Scholes valuation model at \$ 27,000 and is recorded as an increase in contributed surplus and a decrease in share capital.

The following assumptions, based on the Black & Scholes Option Pricing Model, were used:

Risk free interest rate	1.80%
Expected dividend on the stock	0%
Expected volatility of the stock	100%
Expected life of warrants	18 months

The costs of issuing shares for the Minimum Placement are estimated at \$180,000 and have been deducted from share capital.

c) Debentures

Concurrently with the purchase of Terranueva, the convertible debentures bearing interest at the annual rate of 10% will automatically be converted into Common Shares.

Since July 31, 2018, Terranueva has received \$600,000 in cash in consideration for \$600,000 in debentures bearing interest at an annual rate of 7% of which \$50,000 is recognized as a conversion option.

One-third of the nominal value of the 7% interest-bearing debentures will automatically be converted into 1,333,333 Common Shares equivalent to a nominal balance of \$333,333.

3 Share capital

Changes in share capital resulting from pro forma transactions can be summarized as follows:

	<u>Quantity</u>	<u>Amount</u>
		\$
Opening Balance -Axe (post-Transaction)	3,933,290	7,757,514
Shares issued to Terranueva	21,860,000	(5,790,860)
Shares issued as part of the minimum private placement	4,500,000	1,705,500
Shares issued as intermediary fees as part of the transaction	1,250,000	625,000
Shares issued during the conversion of the debentures bearing interest at 7%	<u>1,333,333</u>	<u>1,053,051</u>
Total	32,876,623	5,350,205

4 Tax

The tax rate used in the preparation of the Pro Forma Statement of Financial Position corresponds to the statutory tax rate of 26.9%.

CERTIFICATE OF AXE AND THE PROMOTER

Dated: October 23, 2018

The foregoing contains full, true and plain disclosure of all material information relating to Axe assuming Closing of the Transaction as required by the securities legislation of the provinces of British Columbia, Alberta, Ontario and Québec. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

(Signed) David Mc Donald

David Mc Donald,
Director, President and Chief Executive Officer

(Signed) Johanne Moreau

Johanne Moreau,
Director and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Pascal Ducharme

Pascal Ducharme,
Director

(Signed) Claude Lavoie

Claude Lavoie,
Director and Secretary

PROMOTER

(Signed) David Mc Donald

David Mc Donald,
Promoter

CERTIFICATE OF TERRANUEVA PHARMA AND THE PROMOTERS

Dated: October 23, 2018

The foregoing, as it relates to Terranueva Pharma Corporation., contains full, true and plain disclosure of all material information relating to Terranueva Pharma Corporation. assuming Closing of the Transaction as required by the securities legislation of the provinces of British Columbia, Alberta, Ontario and Québec. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

(Signed) Francisco Perez Jr.

Francisco Perez Jr.,
Chief Operating Officer and Director

(Signed) Pierre Monet

Pierre Monet,
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Francisco Perez Jr.

Francisco Perez Jr.,
Chief Operating Officer and Director

(Signed) Pierre Ayotte

Pierre Ayotte,
Director

PROMOTERS

(Signed) Francisco Perez Jr.

Francisco Perez Jr.,
Promoter

(Signed) Pierre Ayotte

Pierre Ayotte,
Promoter



TERRANUEVA