



Board of Directors Mandate

CANNARA BIOTECH INC.

BOARD OF DIRECTORS MANDATE

I APPOINTMENT AND COMPOSITION

Directors of Cannara Biotech Inc. (“Cannara” or the “Company”) are elected annually by shareholders and, together with those appointed to fill vacancies or appointed as additional directors throughout the year, collectively constitute the Cannara Board of Directors (the “**Board**”). The composition of the Board, including the qualification of its members, shall comply with the applicable requirements of the *Canada Business Corporations Act*, the Toronto Stock Exchange (“**TSX**”), and applicable securities regulatory authorities, as adopted or in force or amended from time to time. In this regard, at least 25% of the directors must be “resident Canadian” as defined by the *Canada Business Corporations Act* and at least a majority of members of the Board must qualify as “independent” directors in accordance with the rules of applicable securities regulators and stock exchanges (collectively, the “**Independence Rules**” and references herein to “independent” shall satisfy the meaning given to the term in all applicable Independence Rules). The Board elects a Chair of the Board (the “**Chair**”) who is principally responsible for overseeing the operations and affairs of the Board. In the event that the elected Chair is not independent, the Board shall elect a lead director, who is responsible for ensuring that the Board of Directors discharges its responsibilities, that the Board of Directors evaluates performance of management objectively, that the Board of Directors understands the boundaries between the responsibilities of the Board of Directors and of management, and managing any conflicts of interest between the Board of Directors and management.

II ACCOUNTABILITY AND MANDATE

The Board has the statutory power and obligation to supervise the management of Cannara. The Board’s relationship with Cannara is guided by a fiduciary principle that requires each director to act honestly and in good faith with a view to the best interests of the Company. In exercising their powers and discharging their duties, every director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board’s primary role is one of stewardship. The Board oversees the operations of Cannara and supervises its management, which is responsible for the day-to-day conduct of the business. The Board establishes Cannara’s policies, monitors its strategic direction and evaluates, on an ongoing basis, whether resources are being managed in a manner consistent with the enhancement of shareholder value, ethical considerations and corporate social responsibility. The Board also discharges its responsibilities through standing committees which currently include the following committees: Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The charter of each standing committee prescribes its duties and responsibilities and is reviewed periodically by the Board.

In carrying out its responsibilities, the Board focuses on the following specific matters:

- (a) ensuring the protection and advancement of shareholder value;
- (b) setting Cannara’s moral and ethical norms and satisfying itself, to the extent feasible, as to

the integrity of the President and Chief Executive Officer (the “CEO”) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout Cannara.

- (c) following review and assessment by, and receipt of recommendations of, the Nominating and Corporate Governance Committee, approving changes to the Audit Committee Charter, the Compensation Committee Charter, the Nominating and Corporate Governance Committee Charter, the Code of Business Conduct and Ethics (the “Code”) and Whistleblower Protection Policy on Financial Matters;
- (d) monitoring compliance with Code and taking the appropriate action with respect to requests for waivers thereto, including approving any waivers to the Code;
- (e) approving the annual corporate compensation plan and guidelines, including compensation for the CEO, senior management and for individual directors, with recommendations from the Compensation Committee;
- (f) succession planning, including appointing, training, monitoring and terminating senior management pursuant to the recommendations of the Compensation Committee;
- (g) oversight of strategic direction and development and review of ongoing results of operations and approving, on an annual basis, a strategic plan which takes into account the opportunities and risks of the business;
- (h) overseeing internal control and management information systems;
- (i) identifying the principal risks of business and ensuring the implementation of appropriate systems to monitor and manage those risks;
- (j) oversight of investor relations and public relations activities and Cannara’s disclosure policy, with primary emphasis on communication with shareholders, receipt of shareholder feedback and responses to shareholder concern;
- (k) approving annual and interim financial results, MD&A, annual information form, management proxy circulars and their publication;
- (l) overseeing all matters relating to Cannara’s legal, regulatory and financial integrity; and
- (m) adopting, pursuant to the recommendation of the Nominating and Corporate Governance Committee, a system of corporate governance policies and practices, including an annual review.

III MEETINGS AND EXECUTIVE SESSIONS

The Board must meet on at least a quarterly basis. In order to encourage and enhance communication, the independent members of the Board must hold regularly scheduled executive sessions at which only the independent directors are present. It is contemplated that executive sessions will occur at least twice a year, and perhaps more frequently if necessary to fulfill their responsibilities.

IV SELECTION OF DIRECTORS

- The Board is responsible for approving new nominees to the Board and for assessing directors based upon the recommendations of the Nominating and Corporate Governance Committee.
- As part of the process of approval and assessment of directors, the Board will (i) assess the competencies, skills and personal qualities required of directors of the Company in light of the Company's circumstances, business strategies and applicable regulatory requirements; and (ii) review the competencies, skills and personal qualities of, and contributions made by, each existing director of the Company in light of the Company's circumstances, business strategies and applicable regulatory requirements.
- The Board will consider the appropriate size of the Board, with a view to facilitating effective decision-making.

V INDIVIDUAL DIRECTORS

The Board seeks directors from diverse professional and personal backgrounds with both a broad spectrum of experience and expertise and a reputation for business acumen and integrity. Potential new directors are assessed on their individual qualifications as well as skill, age and experience in the context of the needs of the Board. Individual directors are also expected to:

- prepare for each Board and committee meeting and maintain an excellent Board and committee meeting attendance record;
- participate fully and frankly in Board deliberations and discussions and demonstrate a willingness to listen to others' opinions and consider them;
- think, speak and act independently and be willing to raise tough questions in a manner that encourages open discussion;
- focus inquiries on issues related to strategy, policy and results rather than day-to-day issues of corporate management;
- participate on committees and become knowledgeable about the duties, purpose and goals of each committee;
- become knowledgeable about Cannara's business and the industry in which it operates, including the regulatory, legislative, business, social and political environments;
- participate in director orientation and development programs;
- become acquainted with senior managers;
- visit Cannara offices when appropriate; and
- annually review the Board Mandate and any other documents used by the Board in fulfilling its responsibilities.

VI MEASURES FOR RECEIVING SHAREHOLDER FEEDBACK

Cannara has developed a Corporate Disclosure and Confidentiality Policy (the “**Disclosure Policy**”) to facilitate consistent disclosure practices aimed at informative, timely and broad dissemination of material information to the market in compliance with applicable securities laws and the rules and policies of the TSX. The Disclosure Committee established under the Disclosure Policy is responsible for overseeing and monitoring communications with, and responses to inquiries from, both institutional and individual investors and the financial community consistent with the Policy’s objectives.

Cannara’s spokespersons as appointed by the Disclosure Committee from time to time are available to shareholders by telephone, fax and e-mail and the Company maintains extensive material of interest to shareholders and investors on the Company’s web site at **www.Cannara.ca**

VII GENERAL

The Board shall review and assess the adequacy of the mandate of the Board annually.

Nothing in this mandate is intended, or is to be construed, to impose on any member of the Board a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.