# ALQ Gold Corp.

# LISTING STATEMENT FORM 2A August 20, 2018

**This Listing Statement describes the distribution of securities of an entity that is expected to continue to indirectly derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. ALQ Gold Corp. ("ALQ") is indirectly involved (through investment in Tahoe Hydroponics Company LLC) in the cannabis industry in the State of Nevada where local state laws permit such activities. Currently, ALQ is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is ALQ directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in Canada or the United States.**

**Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve ALQ of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against ALQ. Any such proceedings brought against ALQ may adversely affect ALQ's financial performance.**

**As a result of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of ALQ in the United States. As such, there are a number of risks associated with ALQ's existing and future business and investments in the United States.**

**For the reasons set forth above, ALQ's interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of risks associated with the business of ALQ. See Section 17 – Risk Factors.**

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## Introduction

This Listing Statement is furnished in connection with the application by ALQ Gold Corp. ("**ALQ**") and the proposed change of business of ALQ from a mining issuer to an investment issuer with a focus on investments in the marijuana industry (the "**Change of Business**"). No Person has been authorized to give any information or make any representation in connection with the Company other than as contained in this Listing Statement, and if given or made, any such information or representation must not be relied upon as having been authorized by ALQ.

Information contained in this Listing Statement is given as of August 20, 2018, unless otherwise specifically stated. Neither the delivery of this Listing Statement nor any distribution of the securities referred to in this Listing Statement will, under any circumstance, create an implication that there has been no change in the information set forth herein since the date of such information given in this Listing Statement.

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

## Currency and Consolidation

In this Listing Statement, all dollar amounts are expressed in Canadian dollars, except as otherwise indicated. References to "$", "CDN$" or "dollars" are to Canadian dollars and references to "US$" are to U.S. dollars. Unless otherwise indicated, all ALQ Share data herein is presented on a post-Consolidation basis.

## Cautionary Note Regarding Forward-Looking Statements

The information provided in this Listing Statement, including information incorporated by reference, may contain "forward-looking statements" about ALQ and the Change of Business. In addition, ALQ may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of ALQ that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by ALQ that address activities, events or developments that ALQ expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to the anticipated completion of the Change of Business, future financial conditions, results of operations, plans, objectives, performance or business developments, statements with respect to planned acquisitions, strategic partnerships or other transactions not yet concluded, plans to market, sell and distribute products, market competition, plans to retain and recruit personnel, the ability to secure funding and the ability to obtain regulatory and other approvals. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the receipt of required approvals in respect of the proposed Change of Business, including without limitation, shareholder approval and the approval of the CSE, within the anticipated time or at all;
- ALQ's business strategy to focus on investments in the cannabis industry;
- statements regarding expected regulatory changes in Canada on legalizing recreational marijuana;
- statements regarding changes in laws and enforcements in the United States;
- any commentary related to the legalization of cannabis and the timing related thereto;
- risks associated with economic conditions, dependence on management and conflicts of interest;
- the availability of capital to fund planned growth and expenditures;
- the business strategies and milestones of ALQ;
- ALQ's investments in the United States, the characterization, and consequences of those investments under federal law, and the framework for the enforcement of medical cannabis and cannabis related offenses in the United States and Canada;
- prevailing regulatory and tax laws and regulations;
- protection of intellectual property;
- the speculative and competitive nature of the cannabis industry;
- the ability to secure necessary personnel, equipment and services;
- the positive impact on and the growth of our branded products expected from Dan Bilzerian's positive celebrity status; and
- other risks described in this Listing Statement and described from time to time in documents filed by ALQ with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, without limitation: (i) expectations and assumptions concerning timing of receipt of required shareholder and regulatory approvals, including with respect to the receipt of required licenses and third party consents, if any; (ii) expectations and assumptions concerning the success of the operations of ALQ; (iii) expectations regarding the continued trend towards legalization of marijuana in various jurisdictions; (iv) expectations regarding the continued growth of the adult-use marijuana

industry, and (v) expectations that ALQ will successfully complete the Change of Business.

With respect to the forward-looking statements contained herein, although ALQ believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that such expectations will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to many factors and risks. ALQ cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by ALQ that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and information. There are risks and other factors, some of which are beyond the control of ALQ, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Listing Statement. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; risks relating to the receipt of the required licenses, risks relating to federal and provincial regulations applicable to the production and sale of marijuana, risks relating to additional funding requirements; due diligence risks; exchange rate risks; risks relating to non-controlling interests; changes in laws, regulations, and/or guidelines; unfavourable publicity or consumer perception; ALQ's limited operating history; competition; banking issues related to the cannabis industry; additional financing requirements; currency fluctuations; research and market development; liability and enforcement complaints; product liability; reliance on key inputs; resale of shares; price volatility of publicly traded securities; dependence and reliance upon existing management, research and development personnel, as well as growing extraction personnel; management of growth; dividends; intellectual property; insurance coverage; costs of maintaining a public listing; litigation; operational risks; difficulty implementing business strategy; conflicts of interest; available talent pool; potential conflicts of interest; and potential transaction and legal risks, as more particularly described under the heading "*Risk Factors*" in this Listing Statement.

Consequently, all forward-looking statements made in this Listing Statement and other documents of ALQ are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on ALQ. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that we and/or persons acting on ALQ's behalf may issue. ALQ undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. An investment in ALQ's securities should be considered highly speculative. There is no guarantee that an investment in ALQ will earn any positive return in the short or long term. An investment in ALQ is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in ALQ's securities. See "*Risk Factors*" in this Listing Statement.

**Market and Industry Data**

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. ALQ believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, ALQ has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

## Glossary of Terms

*The following is a glossary of certain general terms used in this Listing Statement including the summary hereof. Terms and abbreviations used in the financial statements included in or appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.*

"**ACMPR**" means the *Access to Cannabis for Medical Purposes Regulations* (Canada) pursuant to the
CDSA.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below.

A corporation is an "**Affiliate**" of another corporation if:

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

A corporation is "**controlled**" by a Person if:

a) voting securities of the corporation 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 the corporation.

A Person beneficially owns securities that are beneficially owned by:

a) a corporation controlled by that Person; or
b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**ALQ**" means ALQ Gold Corp., a corporation incorporated under the laws of the Province of British Columbia.

"**ALQ's Board of Directors**" means the board of directors of ALQ.

"**ALQ Shareholders**" means the shareholders of ALQ.

"**ALQ Options**" means options to acquire ALQ Shares pursuant to the ALQ Option Plan.

"**ALQ Option Plan**" means the stock option plan of ALQ.

"**ALQ Shares**" means the issued and outstanding common shares in the capital of ALQ as presently constituted, after giving effect to the Consolidation.

"**ALQ Warrants**" mean the outstanding common share purchase warrants of ALQ.

"**Associate**" when used to indicate a relationship with a Person, means:

a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
b) any partner of the Person;
c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or
d) in the case of a Person who is an individual:
    (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.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

**"CBD"** means cannabidiol, the main non-psychoactive constituent of the cannabis plant, "CBD Infused" means products infused with CBD for medical, therapeutic or recreation adult use that are intended for use or consumption by means other than smoking, including but not limited to edible products, topical agents, dietary supplements, cosmetics, tinctures, vaporizers, drink additives and baking items and sweeteners.

"**CDSA**" means the *Controlled Drug and Substances Act* (Canada).

"**Change of Business**" means the proposed change of business of ALQ from a mining issuer to an investment issuer with a focus of investments in the marijuana industry.

"**Consolidation**" means the consolidation of ALQ Shares on a two (old) for one (new) basis announced on August 3, 2017, to be completed on closing of the Change of Business.

"**Convertible Note**" means the interest-bearing unsecured convertible promissory note in the amount of CAD$5,000,000 issued by Vulcan in favour of ALQ.

"**CSA**" means the *Controlled Substances Act.*

"**CSE**" means the Canadian Securities Exchange.

"**CSE Approval**" means the final approval of the CSE in respect of the listing of the ALQ Shares on the CSE following completion of the Change of Business, as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof.

"**CSE Policies**" means the rules and policies of the CSE in effect as of the date hereof.

"**Escrow Agent**" means Computershare Trust Company of Canada.

"**Escrow Agreement**" means the escrow agreement to be entered into by ALQ, the Escrow

Agent and certain securityholders of ALQ in compliance with the requirements of the CSE.

"**Escrowed Securities**" means the ALQ Shares that will be subject to the Escrow Agreement upon completion of the Change of Business.

"**Health Canada**" means the federal institution established to help Canadians maintain and improve their health.

"**Investment Agreement**" means the proposed investment agreement between ALQ and Vulcan pursuant to which it is anticipated Vulcan granted ALQ and option to acquire 10% of the then outstanding Vulcan Shares.

"**New License Agreement**" means the licensing agreement to be entered into between ALQ and Vulcan in respect of the anticipated license of certain branding and other intellectual property rights from Vulcan to ALQ, as more particularly described herein.

"**Listing Statement**" means this listing statement of ALQ, including the schedules hereto, prepared in support of the listing of the ALQ Shares on the CSE.

"**Marijuana**" has the meaning ascribed to such term in the ACMPR.

"**MMAR**" means the *Marijuana for Medical Access Regulations* (Canada) pursuant to the CDSA.

"**MMPR**" means the *Marijuana for Medical Purposes Regulations* (Canada) pursuant to the CDSA.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings*.

"**Person**" means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

"**Salvation**" mean Salvation Botanicals Ltd., a corporation incorporated under the laws of the Province of British Columbia.

"**Share Exchange Agreement**" means the agreement proposed to be entered into between ALQ, Vulcan and the Vulcan Shareholders which will govern the rights among them, as more particularly described herein.

"**SEDAR**" means System for Electronic Document Analysis and Retrieval.

"**Tahoe**" mean Tahoe Hydroponics Company LLC., a corporation incorporated under the laws of the Nevada.

"**THC**" means Tetrahydrocannabinol, the main psychoactive constituent of the cannabis plant.

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended.

"**Vulcan**" mean Vulcan Enterprises US Ltd., a corporation incorporated under the laws of the Wyoming.

"**Vulcan's Board of Directors**" means the board of directors of Vulcan.

"**Vulcan Shareholders**" means the holders of Vulcan Shares.

"**Vulcan Shares**" means the issued and outstanding 100,000 shares at $0.01 par value in the capital of Vulcan.

## 2. CORPORATE STRUCTURE

### 2.1 Corporate Name and Head and Registered Office

The full corporate name of ALQ is 'ALQ Gold Corp.' ALQ's head office is located at #202, 5626 Larch Street, British Columbia, Canada, V6M 4E1. ALQ's registered and records office is located at 1185 West Georgia Suite, Suite 1001, Vancouver, British Columbia, Canada, V6E 4E6.

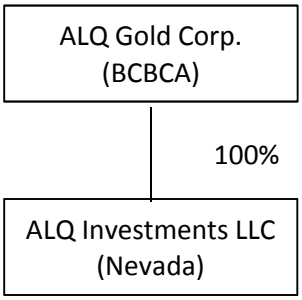
### 2.2 Jurisdiction of Incorporation

ALQ was incorporated on February 25, 1985 under the BCBCA as "Info-Stop Communications Inc." On September 25, 1990, ALQ changed its name from "Info-Stop Communications Inc." to "Alpha Gold Corp.". On August 19, 2013, ALQ changed its name from "Alpha Gold Corp." to "ALQ Gold Corp." On or before completion of the Change of Business and resumption of trading, it is expected, ALQ will change its name from "ALQ Gold Corp." to "Green Axis Cannabis Brands Inc.".

ALQ has one wholly-owned subsidiary, ALQ Investments LLC, which was incorporated pursuant to the laws of Nevada on September 8, 2017.

### 2.3 Inter-corporate Relationships

The following diagram presents the organizational chart of ALQ:




### 2.4 Fundamental Change

ALQ is not requalifying for a listing following a fundamental change or proposing an acquisition, amalgamation, merger, reorganization or arrangement. ALQ is undergoing a Change of Business. See *Item 3.1 – General Development of the Business.*

### 2.5 Non-corporate Issuers and Issuers incorporated outside of Canada

ALQ is not a non-corporate issuer or an issuer incorporated outside of Canada.

## 3. GENERAL DEVELOPMENT OF THE BUSINESS

## 3.1 General Development of the Business

ALQ is a publicly listed company currently listed on the CSE, trading under the symbol "ALQ". The ALQ Shares had previously traded on the TSX Venture Exchange under the trading symbol "ALQ" up until September 19, 2016. On September 20, 2016, ALQ voluntarily delisted from TSX Venture Exchange and listed its ALQ Shares on the CSE, under the same trading symbol. ALQ is headquartered in Vancouver, British Columbia and is a reporting issuer in British Columbia, Alberta and Ontario.

Prior to the Change of Business, ALQ had been primarily engaged in the acquisition, exploration and development of mineral properties located in Canada. On August 28, 2017, trading in the ALQ Shares was halted as ALQ made an application to the CSE of its intention to change its business focus from being a mineral resource exploration company to an investment company. As an investment company, ALQ will be seeking investment opportunities in the global cannabis sector. It is not ALQ's intention to be directly involved in the growing or distribution of cannabis related products, but rather to make strategic investments in several companies that would be actively engaged in such businesses. Becoming an investment company will result in a Change of Business under the CSE Policies, and as such, requires ALQ to:

- obtain ALQ Shareholder approval. ALQ anticipates obtaining such approval by way of consent resolution of existing ALQ Shareholders holding at least 51% of the currently outstanding ALQ Shares;
- prepare and file this Listing Statement with respect to its new proposed business;
- meet the criteria for a new listing as an investment company on the CSE, and make a complete initial application to qualify for listing by filing all necessary documents; and
- obtain the consent of the CSE to ALQ's proposed Change of Business and listing as an investment company.

ALQ's Shares will be halted from trading until ALQ has made adequate filings with the CSE in regards to its Change of Business.

***Mineral Exploration Business***

Lustdust Property

ALQ held a 100% interest the Lustdust Property located in the Omineca Mining Division, British Columbia. The Lustdust Property was comprised of 20 "cell" claims. On June 16, 2016, ALQ announced that it entered into a definitive agreement with Lorraine Copper Corp. ("**LLC**") pursuant to which, and subject to shareholder and regulatory approval, LLC would purchase the Lustdust Property by: (i) issuing to ALQ 5.5 million LLC common shares on closing, (ii) paying ALQ $50,000 in cash on closing, and (iii) incurring $100,000 in exploration expenditures on the Lustdust Property on or before 12 months from closing.

ALQ called an annual and special meeting held on August 10, 2016, to consider, among

other things, the approval for the disposition of the Lustdust Property to LLC. For additional information in the proposed disposition of the Lustdust Property see ALQ information circular dated July 11, 2016, a copy of which is filed under ALQ's SEDAR profile and is incorporated by reference in this Listing Statement.

On August 10, 2016, ALQ Shareholders voted in favour of a resolution approving the sale of the Lustdust Property to LLC and this transaction was completed on September 26, 2016. After September 26, 2016, ALQ did not have any producing mineral properties and was without a known body of commercial ore. Exploration was then focused on the Koster Dam Project.

On October 13, 2016, ALQ announced that it acquired 5,500,000 common shares of LLC in connection with the completion of the sale of the Lustdust Property to LLC on September 26, 2016. As a result, ALQ held approximately 16.9% of the issued and outstanding common shares of LLC, on an undiluted basis, at that time. At a special meeting of ALQ Shareholders held on April 5, 2017, ALQ Shareholders passed a special resolution approving the distribution of the 500,000 common shares of LLC held by ALQ to ALQ Shareholders as a return of capital. Such distribution of the LLC shares was completed on April 17, 2017.

Koster Dam Project

On June 28, 2016, ALQ entered into a definitive option and joint venture agreement (the "**Definitive Agreement**") with Cariboo Rose Resources Ltd. ("**Cariboo Rose**"), pursuant to which ALQ was granted an initial option to acquire a 50% legal and beneficial interest to 6 mineral claims encompassing approximately 3,286 hectares (the "**Property**"). The Property is located within the Clinton Mining Division of British Columbia on Crown land and is known as the Koster Dam Project. Pursuant to the terms of the Definitive Agreement, ALQ had an option to earn a 50% legal and beneficial interest in the Property (the "**50% Interest**") by incurring at least $110,495 of expenditures on the Property on or before June 28, 2017 (the "**Option Period**"). If ALQ earned the 50% Interest then ALQ also had the option to acquire a further 50% legal and beneficial interest in the Property (for a total legal and beneficial interest of 100%)(the "**Additional Interest**") by paying Caribou Rose a cash payment of $400,000 on or before the end of the Option Period. If ALQ exercised the 50% Interest but did not exercise the Additional Interest, the parties would enter into a joint venture agreement with respect to the Property. If either of the parties to the joint venture dilute to an interest equal to 10% or less then such party's interest would automatically convert to a 1% net smelter return royalty.

On June 13, 2017, ALQ announced that it would not be pursuing its option to acquire an interest in the Koster Dam Project as it was not in position to incur the expenditures required to earn the interest in the project. As a result, ALQ relinquished all of its interest in the Koster Dam Project.

***ALQ's Investments in Global Cannabis Sector***

On August 28, 2017, ALQ announced its intention to become an investment company

focusing on opportunities in the US and global cannabis sector (the "**Change of Business**") and its initial investment, being a loan to Tahoe Hydroponics Company, LLC in Nevada.

Tahoe Hydroponics Company LLC

On August 28, 2017, ALQ announced that it entered into its first agreement for investment in the US cannabis industry. ALQ executed a binding agreement with Tahoe Hydroponics Company, LLC of Carson City, Nevada ("**Tahoe**") whereby: (i) ALQ agreed to initially loan an aggregate of US$3,000,000 to Tahoe prior to October 15, 2017; (ii) ALQ would have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and (iii) ALQ would then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's Shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing (the "**Tahoe Agreement**").

The parties determined that due to the stage of Tahoe's development and their respective growth objectives, ALQ's optimal investment in Tahoe would more appropriately be structured as a simple unsecured debt obligation at this time. Accordingly, Tahoe and ALQ terminated the Tahoe Agreement on May 15, 2018 and replaced it with a promissory note evidencing the advance of US$1.35 million from ALQ to Tahoe with a 6% annual interest rate (the "**Tahoe Note**"). ALQ plans to seek repayment of this loan through receiving monthly payments of principal and interest which can be accelerated by a liquidity event.

Tahoe is a private Nevada-based company involved in the cultivation and packaging of cannabis products. It owns 25,000-square-foot recreationally licensed cultivation, preroll, production and packaging facility located in Carson City, Nevada.

Tahoe has received a provisionally approved distribution license for the state of Nevada. Completing final licensing criteria will make Tahoe one of the only non-liquor distributors for the distribution of recreational cannabis in the state of Nevada.

In connection with the Tahoe Note and pursuant to a finder's fee agreement dated June 1, 2018, ALQ agreed to pay a finder's fee to Firetronic Entertainment Inc. of 125,000 ALQ Shares in consideration of the introduction of Tahoe and the facilitation of negotiations in respect of the Tahoe Agreement and Tahoe Note.

Salvation Botanicals Ltd.

Salvation is a private British Columbia company based in Nanaimo, which is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

Salvation holds a Narcotic Dealer's License (NDL), allowing contract extract production, with authority to extract and produce oil, capsules and tinctures within Health Canada guidelines. In 2016, Health Canada granted Salvation a hemp processing license (HPL) permitting production and sale of seed and grain derivatives. Using the name Purely Hemp, Salvation has developed a line of value-added foods including hemp protein powder, hulled hemp seeds, protein bars, hemp butter, capsules (oil, protein powder) and cold-pressed hemp oil, while building exports of value-added bulk hemp products.

On or prior to closing the Change of Business, ALQ expects to acquire 3,000,000 units of Salvation at a price of CDN$0.50 per unit for a total cost of CDN$1,500,000 pursuant to a subscription agreement between ALQ and Salvation (the "**Subscription Agreement**"). Each unit is expected to be comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months.

Vulcan Enterprises Ltd.

On December 21, 2017, ALQ entered into a binding agreement letter of intent with Vulcan (the "**Prior LOI**") to acquire certain intellectual property rights for use of the "Burn by Bilzerian" brand and the name, approved photographs, approved images, voice, and approved likenesses of Dan Bilzerian exclusively within the cannabis industry worldwide (collectively, "**Licensed IP**").

Vulcan is the exclusive owner of the Licensed IP, which includes the cannabis brand logos or related marks, including "Burn by Bilzerian" and "Ignite by Bilzerian". In the Prior LOI, ALQ and Vulcan had agreed to the following: (i) ALQ would receive initially a limited license to utilize the Licensed IP for its use in the Canadian cannabis industry, in exchange for ALQ issuing 5,000,000 ALQ Shares to Vulcan; (ii) Vulcan would assist with ALQ's utilization of the Licensed IP through personal appearances by Dan Bilzerian and utilization of Mr. Bilzerian's social media accounts; and (iii) ALQ would retain the exclusive option to acquire additional global and exclusive rights to Vulcan's Licensed IP for additional consideration.

On January 28, 2018, ALQ and Vulcan entered into a license agreement (the "**Prior License Agreement**") which gave effect to the terms of the Prior LOI. However, Vulcan and ALQ agreed to terminate both the Prior LOI and the Prior License Agreement.

It is currently contemplated that on or before closing of the Change of Business, Vulcan and ALQ will enter into a new agreement pursuant to which: (i) ALQ and Vulcan will enter into an investment agreement (the "**Investment Agreement**") wherein Vulcan will provide ALQ with a four month option to acquire 10% of the then outstanding Vulcan Shares for CDN$15,000,000, (ii) Vulcan will grant a transferrable, sub-licensable license to the Licensed IP to ALQ pursuant to a license agreement (the "**New License Agreement**"), and (iii) ALQ, Vulcan and the Vulcan Shareholders will enter into a share exchange agreement (the "**Share Exchange Agreement**") wherein ALQ will issue 20% of the issued and outstanding post-Consolidation ALQ Shares to Vulcan in exchange for 10% of the issued and outstanding Vulcan Shares.

On April 26, 2018, ALQ loaned Vulcan CDN$5,000,000 and Vulcan issued a convertible promissory note in favour of ALQ (the "**Convertible Note**"). The Convertible Note bears interest at a rate of 8% per annum. The Convertible Note is convertible into 3.3% of the outstanding Vulcan Shares. If the Convertible Note was converted into Vulcan Shares at this time, ALQ would receive 3,333 Vulcan Shares at a conversion price of CDN$1,500 per Vulcan Share. Unless earlier converted into Vulcan Shares, the Convertible Note matures 24 months following the date of issuance upon demand of ALQ.

Pursuant to the anticipated terms of the Investment Agreement, it is intended that Vulcan will grant ALQ a 4-month option ("**Option**") to acquire 10% of the then outstanding Vulcan Shares for CAD$15 million in cash. The Investment Agreement is expected to contain provisions granting ALQ a pre-emptive right, so long as Vulcan remains a private company, on future financings of Vulcan to permit ALQ to maintain its pro-rata interest in Vulcan after the Option is exercised. This pre-emptive rights applies with respect to all Vulcan Shares owned by ALQ, including shares acquired under the Convertible Note or the Share Exchange Agreement.

Vulcan is the exclusive owner of the Licensed IP, which includes the cannabis brand logos or related marks, including "Burn by Bilzerian" and "Ignite by Bilzerian". Pursuant to the terms of the New License Agreement, it is intended that Vulcan will grant a transferrable, sub-licenseable license to the Licensed IP to ALQ with exclusive geographic rights to Canada in exchange for a royalty agreement for 2% of ALQ's gross sales relating to the "Burn by Bilzerian" brand. It is further expected that Vulcan will assist with ALQ's utilization of the Licensed IP through personal appearances by Dan Bilzerian and utilization of Dan Bilzerian's social media accounts. ALQ will have the ability to enter sub licensing agreements with legal cannabis cultivators and manufacturers to white label and distribute "Burn by Bilzerian". Any sublicense granted by ALQ is subject to the approval of Vulcan. In the New License Agreement, the parties will expressly acknowledge that ALQ intends to partner with one or more licensed producers or other licensees in Canada in order to commercialize the "Burn by Bilzerian" brand.

Pursuant to the Share Exchange Agreement, ALQ proposes to issue 20% of the issued and outstanding post-Consolidation ALQ Shares to Vulcan in exchange for 10% of the issued and outstanding Vulcan Shares from the Vulcan Shareholders. Upon completion of the share exchange, ALQ expects to acquire 10,000 Vulcan Shares.

In connection with the Convertible Note and pursuant to a finder's fee agreement dated April 23, 2018, ALQ agreed to pay a finder's fee to Vapergy International, LLC ("Vapergy") equal to 2% of the gross proceeds of ALQ's private placement closing announced April 20, 2018 following the (pending) completion of the New License Agreement in consideration of Vapergy's assistance in introducing ALQ to members of the Vulcan team, and facilitation of continuing negotiations in respect of the New License Agreement.

***Recent Developments***

On July 31, ALQ completed a non-brokered private placement of 24,578,170 ALQ Shares (on

a post-Consolidated basis) for gross proceeds of $1,843,363 at a price of $0.075 per ALQ Share. Subscribers under this offering who were not insiders of ALQ, agreed to a contractual hold period on their ALQ Shares for a six month hold from the date of close, which hold period ended on February 3, 2018.

On August 9, 2017, ALQ announced the resignation of Mr. Stephen Leahy from the board of directors, and the appointment of Mr. Morgan Good as a director of ALQ.

On September 28, 2017, ALQ closed the first tranche of a non-brokered private placement of 3,974,000 ALQ Shares (on a post-Consolidation basis) at a price of $0.35 per share for gross proceeds of $1,390,900.

On October 23, 2017, ALQ announced the resignation of its former auditor, Smythe LLP, Chartered Professional Accountants, and the appointment of Davidson & Company LLP, Chartered Professional Accountants as ALQ's successor auditor.

On October 31, 2017, ALQ announced the closing of the second tranche of its non-brokered private placement of 3,363,267 ALQ Shares (on a post-Consolidation basis) at a price of $0.35 per share for gross proceeds of $1,177,143.45.

On November 24, 2017 ALQ completed the third tranche of its non-brokered private placement of 2,621,786 ALQ Shares (on a post-Consolidation basis) at a price of $0.35 per share for gross proceeds of $1,835,250.20.

On January 24, 2018 ALQ completed the fourth tranche if its non-brokered private placement of 3,009,356 ALQ Shares (on a post-Consolidation basis) at a price of $0.35 per share for gross proceeds of $1,053,274.60.

On April 20, 2018, ALQ announced the completion of a non-brokered private placement of 12,007,900 units of ALQ for gross proceeds of $12,007,900 at a price of $1.00 per unit (on a post-Consolidation basis). Each unit was comprised one (post-Consolidated) ALQ Share and one-half of one share purchase warrant, each whole warrant entitling the holder to acquire one (post-Consolidation) additional ALQ Share at $2.50 for a period of 12 months.

On closing of the Change of Business, ALQ expects to change its name to "Green Axis Cannabis Brands Inc." to reflect its change of business as an investor in the cannabis industry and expects to undergo a change of trading symbol on the CSE from "ALQ" to "BILZ", subject to applicable regulatory approval.

***Change of Business***

Currently, the ALQ Shares are listed for trading on the CSE under the symbol "ALQ" in the mining issuer category.

After a thorough evaluation of ALQ's existing mineral property portfolio and a review of strategic options for ALQ generally, ALQ determined to refocus its business operations from a "mining issuer" to an "investment issuer".

The ALQ Board's evaluation of the current mineral portfolio during 2017 resulted in the decision to discontinue direct investment into the mining industry. The ALQ Board evaluated and explored various business and strategic opportunities available to ALQ and determined that the best alternative is to undergo the proposed Change of Business.

The ALQ Board believes that the proposed Change of Business will allow ALQ to leverage its principal available asset, being its available cash, while at the same time preserving its cash against the CSE requirement to incur exploration and development expenditures on its mineral portfolio, which the ALQ Board believes is inappropriate at this time in light of the current financial resources available to it and the financial resources necessary to ultimately bring any of its mineral properties into production. Upon completion of the proposed Change of Business, ALQ will cease active pursuit of the mining business, and ALQ's primary focus will be to seek high return opportunities through investment in the securities of other companies, as more particularly described herein. ALQ's primary focus following completion of the Change of Business will be to seek returns through investments in other companies, assets or businesses in the marijuana industry.

Completion of the Change of Business is subject to a number of conditions, including, but not limited to, Exchange approval, and shareholder approval if required pursuant to Exchange, securities regulatory or corporate law requirements.

Upon completion of the Change of Business, the directors of ALQ will be Brandon Boddy, Ming Jang and Morgan Good and the executive officers will be Morgan Good (Interim Chief Executive Officer), Ming Jang (Chief Financial Officer) and Donna Moroney, Corporate Secretary. It is anticipated that on closing of the Change of Business ALQ will form an advisory committee to assist in the identification and completion of investments. ALQ expects the members of its advisory board to include Matthew Morgan, Dr. George Vrabec, and Mr. Gianni Kovacevic.

Trading of the ALQ Shares has been halted since August 28, 2017 and will remain halted in accordance with CSE Policies until all required documentation with respect to the Change of Business has been received and the CSE and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

### 3.2 Significant Acquisitions and Dispositions

Other than as set forth in *Item 3.1 – General Development of the Business*, there has been no significant acquisition or disposition completed by ALQ nor any significant probable acquisition proposed by ALQ since the beginning of its fiscal year ended February 28, 2018 other than as set out elsewhere in this Listing Statement.

### 3.3 Trends, Commitments, Events or Uncertainties

Except as may be disclosed below and elsewhere in this Listing Statement, ALQ is not aware of any trend, commitment, event or uncertainty presently known to management and reasonably expected to have a material effect on ALQ's business, financial condition or results of operations upon completion of its proposed Change of Business.

**Usage of Cannabis**

Marijuana is a preparation of the leaves and flowering tops of cannabis sativa, the hemp plant, which contains a number of pharmacologically active principles (cannabinoids). Hashish, also derived from the hemp plant, is obtained from the clear resin secreted by the flowering tops of the plant and is four to eight times as potent as marijuana. Both drugs are used for their euphoric properties and are considerably more potent when smoked and inhaled than when simply eaten. Hash made from the cannabis plant has been around for centuries, and there are plenty of processes in which hash can be made. The main goal of the extraction process is to isolate the trichome heads, which house the essential oils of cannabis, from the stalks and plant matter that carry little-to-no medicinal value.

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as tetrahydrocannabinol (THC) and cannabidiol (CBD), as medical therapy to treat disease or alleviate symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Smoking cannabis is the most traditional form of ingestion and consists of smoking the dried flowers or leaves of the cannabis plant. Hash and kief are also ingested this way. Cannabis can be smoked through a pipe, rolled into a joint (or cigarette), or smoked using a water pipe (bong). Vaporizing involves using a vaporizer, which is a device that is able to extract the therapeutic ingredients in the cannabis plant material, called cannabinoids, at a much lower temperature than required for burning. This allows user to inhale the active ingredients as a vapor instead of smoke, and spares them the irritating and harmful effects of smoking. Many medical marijuana patients find that vaporizing offers an improved medical effectiveness, compared to smoking.

Topical cannabis encompasses herbal medicines that are applied directly to the skin or muscles. They include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. However, unlike smoking, vaporizing or eating the medical cannabis, topical products are generally non-psychoactive.

*Shift in Extraction Processes*

The push towards regulating both medical and recreational cannabis markets has sparked demand for a shift from raw cannabis to extracted cannabis concentrates for a variety of reasons. The extraction process kills bacteria, mold, and fungi present in the vegetable material it is extracted from, which can make it a safer medical use product. The main compounds being extracted are cannabinoids and terpenes, which provide the aroma, flavour and effect of the final product. The extraction process removes the glands (trichomes) from the vegetable matter of the leaf, leaving a concentrated wad, goo, hash or powder of pure active medicinal compound, which offers a larger dose of medicinal

ingredient for patients who require it. Given that concentrates ideally have no plant matter left, the extraction process also produces flavours that are cleaner and more pleasant, for both medical and recreational users.

Increased demand for cannabis extracts has grown alongside higher demand for the compound CBD. CBD is a non-psychoactive ingredient in cannabis that has shown great potential for medical treatment of a variety of health conditions, including epilepsy. Due to the fact that CBD is non-psychoactive, CBD extracts attract a large market of patients who are averse to using medical marijuana because of its psychoactive properties, but want to take advantage of its therapeutic properties. Further, even for those who are not averse to the psychoactive effects, an excessive amount of cannabis consumption is required to obtain a significant CBD dose.

As research continues to provide insights into the medical efficacy of CBD, the popularity of CBD extracts continues to grow. Concentrated CBD extractions allow patients to consume a medically adequate dose of CBD, with less unwanted side effects. This will significantly aid in the objective of improving medical research and utility for patients who require the use of CBD in treating various health issues.

Cannabis concentrates have consequently dominated total sales in many legal markets, for both medical and recreational use. Cannabis concentrates are used to make edibles, topical ointments, capsules and other packaged products that require a more professional extraction. Concentrates are also sold for direct consumption in small containers, which can be nearly odourless when sealed.

Concentrates purchased for direct consumption are named for the different consistencies created by the extraction. These waxes, oils, budders, and shatters are formulated for use in vaporizers, which range in size from large at-home units to small pen-sized devices that are used discreetly. Vaporizers work similar to an electronic cigarette by heating the material to a temperature hot enough to convert it into an inhalable vapour, which has minimal odour and dissipates immediately in the air, unlike smoke.

Increasing popularity and innovation of concentrates has created an increased demand for safe, professional, and effective extraction of cannabis concentrates.

*Hydrocarbon Solvent Extraction*

The medicinal compounds in cannabis flowers are hydrophobic. Accordingly, one of the most efficient extraction methods is using hydrocarbon solvents such as butane, propane, and hexane to separate the trichomes from the leaf. Hydrocarbon extracts are most commonly produced using butane and are referred to as butane hash oil (BHO). The basic process to produce BHO is to strip the glands from the leaves, followed by evaporating the solvent from the glands. This finished product is often further refined into other applications.

Hydrocarbon solvent extraction is commonly used in food and cosmetic production. Products created using this method include decaffeinated coffee, fragrances, essential oils, and food extracts such as vanilla. Pharmaceutical grade hydrocarbon solvents have low toxicity, and the FDA allows a residual solvent level of 5000 parts per million (PPM) on industrial goods produced using this method. Cannabis products created in legal market can contain between zero and 300 ppm of residual solvent.

The main danger of extraction involves the solvent itself. Hydrocarbon solvents are volatile compounds that are heavier than air and although they cannot be seen, they can pool on the floor of a space that is not properly ventilated. In such a setting, even a small spark could cause, and has caused, dangerous explosions. Accordingly, an effort towards clean, safe, organized, and consistent extraction methods is essential. Lack of regulation poses a significant risk, because despite the safety risks of extraction, the business opportunity is lucrative and the barriers to market entry are low. In addition to production risks, unregulated extractors have used products and processes not intended for consumable use goods, providing additional risks for the end-user. Industry stakeholders and professional legal extractors insist that extraction should be regulated to minimize lack of safety procedures, other risks, and general stigma associated with non-legal extraction.

Extraction regulation could also reduce some of the financial challenges associated with extraction businesses. Specifically, lack of regulation requires these businesses to run on a cash-only basis, presenting a challenge with keeping the business solvent and adaptable. Professional extractors use expensive machinery, lab testing, and safety measures. For example, proper extraction requires the use of expensive closed-loop systems, to ensure that the hydrocarbon solvent is not allowed to enter open air. Regulation could help achieve cost consistencies and efficiencies, while also avoiding the challenges associated with operating on a cash-only basis. Proper regulation aimed at creating a more resourceful market in the recreational space may help foster innovation and promote public safety, while also decreasing the supply and demand for non-regulated cannabis.

In California, the United States' largest cannabis market, extraction is currently unregulated. In December 2015, a state appellate court ruled cannabis extracts are covered under the state's vague medical marijuana law, Prop 215, which was passed by voters in 1996. However, in the absence of formal regulation in the production of legal extracts, industry stakeholders are working to create standards and regulations for production. For example, California Extraction Research and Science Association (CERSA), will certify products that meet CERSA standards to create a safer and more transparent marketplace for business owners and patients.

If medical and adult use legalization continues to foster the development, research, and innovation of legal cannabis products and brands, the supply and demand of cannabis extracts is expected to grow. Today's legal concentrate producers must maintain a delicate balance to meet demand safely, within regulation, and operating entirely with cash. Legality and regulation will continue to be a state-by-state patchwork until the issue is taken up nationally.

**Trends**

On October 16, 2017, as revised on February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 issuers with U.S. Marijuana-Related Activities ("**Staff Notice 51-352**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the ALQ's investments in the United States, ALQ is subject to Staff Notice 51-352:

***The following table is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.***

| Industry Involvement | Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties | Listing Statement Cross Reference |
|---|---|---|
| **All Issuers with U.S. Marijuana-Related Activities** | Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table. | Section 3.1 – General Development of the Business. |
| | Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk. | Cover Page (disclosure in bold typeface) |
| | Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities. | Section 3.3 - United States Regulatory Environment**.** |
| | Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S. | Section 17 – Risk Factors – Service Providers. |
| | Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations. | Section 17 – Risk Factors – Additional Financing.<br><br>Section 17 – Risk Factors – Anti-Money Laundering Laws and Regulations. |
| | Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana related activities. | Section 5 – Selected Consolidated Financial Information.<br><br>Schedule A to the Listing Statement.<br><br>**Note: at the time of the Listing Statement, the** |

| | | |
|---|---|---|
| | | **major operations of ALQ are not related to U.S. marijuana related activities.** |
| | Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. | Not applicable. |

*United States*

In the United States, twenty-nine states and Washington D.C. have legalized medical marijuana, while nine states and Washington, D.C. have legalized recreational marijuana. Cannabis currently remains a Schedule I drug under the Controlled Substances Act and is, therefore, illegal under federal law. Even in those states in which the use of cannabis has been legalized pursuant to state law, its use, possession or cultivation remains a violation of federal law. A Schedule I controlled substance is defined as one that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The U.S. Department of Justice (the "**DOJ**") defines Schedule I controlled substances as the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence. If the United States federal government decides to enforce the CSA, persons that are charged with distributing, possessing with intent to distribute or growing cannabis could be subject to large fines and/or terms of imprisonment. This is the case even if a business is operating legally under state law.

The U.S. Department of Justice under the former Obama administration previously issued a series of memoranda, including, among others, "Policy Statement Regarding Marijuana Issues in Indian Country," issued by then-Director of the Executive Office for U.S. Attorneys Monty Wilkinson and a memoranda issued by then-Deputy Attorney General James Cole, on August 29, 2013, commonly referred to as the "**Cole Memorandum**", which generally directed the U.S. Attorneys' offices (U.S. federal prosecutors) that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law.

However, on January 4, 2018, Attorney General Jeff Sessions issued a new memorandum "Marijuana Enforcement" then rescinded the previous guidance memoranda, including the Cole Memorandum. Under the new guidance, Attorney General Sessions directs all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The DOJ asserts this return to the rule of law is also a return of trust and local control to federal prosecutors who know where and how to deploy Justice Department resources most effectively to reduce violent

crime, stem the tide of the drug crisis, and dismantle criminal gangs. Therefore, the prosecution of individuals and businesses under the Controlled Substances Act that are engaging in cannabis-related activities in compliance with state law is now act the discretion of local U.S. Attorneys.

Despite this, the Sessions memorandum, being only a statement of DOJ enforcement policy, did not effect the Rohrabacher-Blumenauer amendment which prohibits the DOJ from using federal funds to interfere with state-legal medical marijuana programs. While that amendment is still in effect, it is subject to periodic extensions by Congress, the most recent being a March 21, 2018 extension for six months into September 2018. The amendment does not cover activities under state recreational marijuana laws.

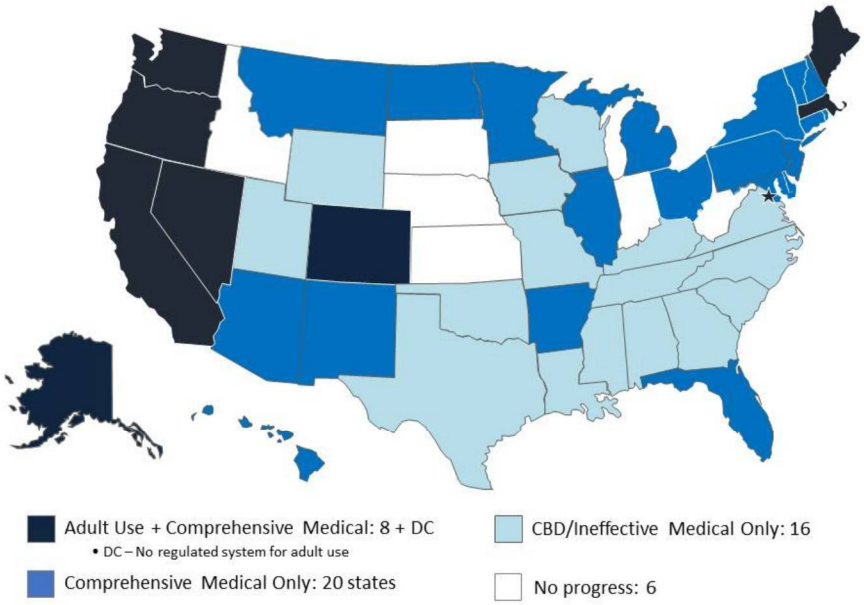
Under U.S. federal law it is highly likely a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering and other violations of organized crime statutes for providing services to a cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, conspiracy and other federal crimes.

In 2014, the Financial Crimes Enforcement Network (**FinCEN**), in coordination with the DOJ, issued guidelines for financial institutions serving marijuana businesses. The FinCEN guidance is singularly focused on ways to meet Bank Secrecy Act/anti-money-laundering (BSA/AML) obligations while serving the state-legal marijuana sector. It does not authorize financial institutions to serve that sector; rather, it provides a roadmap for BSA/AML compliance for institutions that choose to do so or that otherwise encounter transactions involving marijuana. The FinCEN Guidance requires that banks engaged in banking marijuana businesses file special-purpose SARs that distinguished among: (a) marijuana businesses lawfully operating in a state (requiring the filing of a “marijuana limited” SAR); (b) marijuana businesses that arguably may not be operating in a manner compliant with state laws (requiring the filing of a “marijuana priority” SAR); and (c) marijuana businesses for which the bank has concluded that a cannabis business was operating in violation of one or more red-flags identified in the Cole Memorandum (requiring the filing of a “marijuana termination” SAR). Despite the recent memorandum by Attorney General Jeff Sessions, FinCEN has subsequently re-affirmed its guidance. In the U.S., a several occassions bills have been introduced in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. These bills have not been passed and there can be no assurance that any will be passed . In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would eliminate these challenges for companies in the cannabis space, and would improve the efficiency of both significant and minor financial transactions.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

The following is an analysis of market and regulatory conditions for the marijuana industry in U.S. states in which CRHC has a substantial operating presence.

| State | Type of Regulated Cannabis Program | Population (2015) | Number of Patients (as of) | Number of Total Cannabis Licenses (as of) |
|---|---|---|---|---|
| Arizona | medical | 6,758,300 | 99,895 (May 2016) | 99 (January 2016) |
| California | medical and future adult-use | 38,714,725 | no data | no data |
| Colorado | medical and adult-use | 5,442,681 | 102,914 (October 2016) | 2892 (November 2016) |
| Florida | low-THC medical and future medical | 19,789,625 | no data | 6 (November 2016) |
| Puerto Rico | medical | 3,474,182 | no data | no data |
| Oregon | medical and adult-use | 4,013,800 | 68,201 (October 2016) | 796 (November 2016) |
| Washington | medical and adult-use | 7,061,410 | no data | 1682 (November 2016) |




*Nevada Regulatory Landscape*

Medical marijuana use was legalized in Nevada by a ballot initiative in 2000. In November 2016, voters in Nevada passed an adult use marijuana measure to allow for the sale of recreational marijuana in the state. The first dispensaries to sell adult use marijuana began sales in July 2017. The Nevada Department of Taxation ("**DOT**") is the regulatory agency overseeing the medical and adult use cannabis programs. Cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue.

All marijuana establishments must register with DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from DOT and include a renewal form. The renewal periods serve as an update for DOT on the licensee's status toward active licensure. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from DOT may an entity

engage in cannabis business operation.

*CANADA*

**Canadian Regulatory Environment**

Cannabis is a controlled substance listed in Schedule II of the CDSA. Accordingly, activities related to cannabis are governed by the CDSA and its regulations, including the ACMPR, the Narcotics Control Regulations, as well as other applicable laws. Cannabis is subject to unique and specific regulation in Canada.

In 2000, the Canadian courts ruled that laws prohibiting the possession of cannabis were unconstitutional to the extent that they did not provide medical patients with access to cannabis, where required for their health (R. v. Parker). In response to this decision, Canada passed the Medical Marihunana Access Regulations (MMAR) providing medically approved patients with a viable constitutional exemption. In 2013, Canada repealed the MMAR and replaced it with the Marihuana for Medical Purposes Regulations (MMPR) which provided for a commercial industry, responsible for the production and distribution of marijuana for medical purposes (dried marijuana only). These regulations introduced strict controls over the production, storage and distribution of medical marijuana and strict oversight to reduce public health, safety and security risks.

**The Access to Cannabis for Medical Purposes Regulation**

In 2013, after the decision in *R. v. Smith* (the "**Smith Decision**") individuals were now allowed to possess marijuana derivatives for their own use. The regulations were again challenged in 2016 in *R. v. Allard* (the "**Allard Decision**") resulting in subsequent changes to the regulatory framework (ACMPR), removing the restriction of having to only purchase marijuana through licensed producers and allowing individuals to produce limited amounts of cannabis for their own medical purposes.

The ACMPR are the current governing regulations regarding the production, sale and distribution of cannabis for medical purposes in Canada. The ACMPR provide for three possible alternatives for Canadian residents who have been authorized by their health care practitioner to access cannabis for medical purposes:

- they can continue to access quality-controlled cannabis by registering with licensed producers;
- they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a licensed producer); or
- they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a licensed producer).

Authorized activities under the ACMPR include the production and sale of starting materials (i.e., cannabis seeds and plants) to those individuals who have registered to produce a limited amount of cannabis for their own medical purposes, or to have it produced by a designated person, and the ability to sell an interim supply of fresh or dried cannabis or cannabis oil to registered persons while they wait for their plants to grow. Licenses and license applications under the ACMPR consolidate the MMPR license requirements for the production and sale of dried cannabis, the requirements for supplemental licenses

under the Section 56 CDSA Exemption, and the new requirements for the sale of cannabis seeds and plants.

**Medical Marijuana**

Cannabis itself is not authorized for sale as a "drug" by Health Canada under the *Food and Drug Act* (Canada) (the "**FDA**"). Sale of cannabis by Licensed Producers to clients, other Licensed Producers or other identified groups in accordance with the ACMPR is exempt from the application of the FDA by the Cannabis Exemption (*Food and Drugs Act*) Regulations (Canada), as amended, issued pursuant to the FDA. The ACMPR includes provisions regulating production, processing, and labeling of cannabis to ensure that quality, safety and predictability of effect are available. The provisions of the ACMPR in this respect are unique to cannabis and distinct from similar provisions applicable to drugs in the FDA.

Access to cannabis includes the option for clients to purchase dried marijuana or cannabis oil from licensed producers, which is delivered to the patients via mail order (the ACMPR does not provide for retail sales of cannabis).

Access also includes growing by or on behalf of individuals remaining under the MMAR through the Allard Decision. Cultivation for personal use is also permitted under the ACMPR, with Licensed Producers now being permitted by the ACMPR to provide seeds or plants to clients who are registered and approved by Health Canada. The amounts of cannabis, seeds and plants that a client may be provided with per month is determined with reference to a permitted daily amount of cannabis, normalized to the number of grams of dried marijuana per day, specific to the patient.

"Medical Marijuana" (meaning the use of cannabis to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications) can be administered using a variety of methods including, but not limited to, smoking dried buds, capsules, and oral/dermal sprays. Unlike the pharmaceutical options, individual elements within medical marijuana have not been isolated, concentrated and synthetically manipulated to a specific therapeutic effect. Based on a survey completed between April and June 2016 as reported in an article dated October 29, 2016, the most popular means of administering medical marijuana in Canada was by smoking/vapourizing dried buds. The regulations prohibit any representations regarding any medicinal properties.

Sativa and Indica are the two main types of cannabis, and hybrid strains can be created when the genetics of each are crossed. Within these different types of cannabis there are many different varieties, within which there are many different cannabinoids, with the most common being THC and CBD.

**The Changing Regulatory Landscape**

The medical cannabis industry in Canada has changed considerably between 2014 and 2017. Prior to the Company's date of incorporation, the Canadian Government introduced MMPR. Under the MMPR, licensed producers were initially licensed to sell dried cannabis only, and no other forms of cannabis such as oils and extracts were permitted. The Smith Decision found this restriction to be contrary to the Canadian Charter of Rights and Freedoms (the "**Charter**") and struck down portions of the CDSA to the extent that these portions of the CDSA prevent a person with a medical authorization from possessing cannabis derivatives for medical purposes. While the Smith Decision was considered in the context of the previous MMAR the exemption under the CDSA is equally applicable to the MMPR.

In response to the Smith Decision, Health Canada issued a class exemption under section 56 of the CDSA for Licensed Producers who met defined criteria and issued corresponding supplementary licenses for production and sale of cannabis oil to Licensed Producers who met the criteria. Health Canada released a statement with details to this effect on July 7, 2015. This Heath Canada statement included requirements that essentially prevent production of cannabis oil suitable for vaporization or smoking. The only permitted dosage form for cannabis oil is a capsule or similar dosage form (sale of liquid oil in a container). The sale of foods or beverages infused with cannabis oil was not permitted under this Health Canada statement. The sale of cannabis oil, including restrictions to dosage forms, is now expressly provided for in the ACMPR.

Following the hearing of the constitutional challenge to the MMPR, the Federal Court of Canada rendered the Allard Decision. The Court repealed the MMPR as contrary to the plaintiff's Charter rights by unduly restricting access to medical cannabis. The repeal of the MMPR was suspended for six months to allow the Government of Canada to amend the MMPR or issue new regulations. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis program.

The ACMPR essentially combined the MMPR, the MMAR and the section 56 class exemptions relating to cannabis oil (including Health Canada's restrictions preventing smokable or vaporizable oil and preventing sale of infused foods or beverages) into one set of regulations. The ACMPR further sets out the process for license applicants, such as the Company, to obtain Licensed Producer status.

**Anticipated Legalization of the Adult-Use Recreational Cannabis**

Recreational use of cannabis is not currently legal in Canada. In April 2016, the Federal Government announced its intention to introduce legislation to legalize adult-use recreational cannabis in Canada by the summer of 2017. However, the content or form of this proposed legislation is not known. On June 30, 2016, the Federal Government announced the establishment of the Task Force on Cannabis Legalization and Regulation (the "**Task Force**") to seek input on the design of a comprehensive system to legalize, regulate and restrict access to cannabis. The Task Force issued its final report, titled "A Framework for the Legalization and Regulation of Cannabis in Canada", on November 30, 2016. The report contains more than 80 recommendations including the establishment of a minimum age of access, restrictions on advertising and promotion and the establishment and enforcement of a well-regulated production, manufacturing and distribution regime that includes standards for testing, packaging and labeling. The report also noted the need to improve the public's understanding of cannabis, including risks to youth and impaired driving. The report may be viewed online on Health Canada's website.

**Bill C-45 and Legislation to Legalize Recreational Use of Cannabis**

On December 13, 2016, the Task Force published its report outlining its recommendations. On April 13, 2017, the Federal Government released Bill C-45, an Act respecting cannabis and to amend *the Controlled Drugs and Substances Act*, the Criminal Code and other Acts ("**Bill C-45**"), which proposes the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. The passage of Bill C-45 would allow adults to legally possess and use cannabis for recreational purposes.

The following is intended to be of a summary nature, and the full text of Bill C-45 should be referred to for complete details with respect to the proposed legalization of recreational cannabis in Canada.

Bill C-45 would allow all Canadians over the age of 18, subject to additional age limits imposed by provincial governments, to purchase cannabis by mail and in either private retail outlets or provincially regulated retail spaces. Individuals would also be permitted to grow up to four plants in their residence, subject to any further restrictions implemented by the respective provincial legislation. The possession limit of dried cannabis would be set at 30 grams. Bill C-45 does not provide for the regulation of edible cannabis products, and it is expected that such products would be regulated and legalized at a later date.

Part 3 of Bill C-45 provides for the establishment of the legal framework for licenses and permits that will govern the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis. Section 61 of Bill C-45 provides the government with the power to establish a framework for applications for such licenses and permits.

Part 12 of Bill C-45 provides transitional provisions with respect to applications for licenses submitted under the MMPR and ACMPR. Applications submitted under the ACMPR will continue to be processed under the ACMPR as Bill C-45 moves through the legislative process.

The effect of Bill C-45, should it be passed into law, would be the creation of a market for recreational cannabis in Canada. Bill C-45 would significantly expand the class of individuals who are legally permitted to purchase and consume cannabis in Canada.

Currently, it is illegal to buy, sell, produce, import or export cannabis unless it is authorized under the CDSA and its regulations, such as the ACMPR. The current program for access to cannabis for medical purposes would continue under following the passage of Bill C-45. Cannabis will remain illegal as Bill C-45 moves through the legislative process.

While the production of cannabis will be under the regulatory oversight of the Government of Canada, the distribution of adult-use recreational cannabis will be the responsibility of the provincial and territorial governments. The governments of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and New Brunswick have made varying announcements on the proposed regulatory regimes for distribution and sale of cannabis for recreational purposes. To date, only the governments of Ontario, Alberta and Manitoba have passed legislation to govern the retail sales of cannabis. However, all the provinces in Canada have announced that the wholesale distribution of cannabis will fall under the responsibility of their provincial liquor authorities. The legal retail business for adult-use recreational cannabis will initially fall under a framework of new provincially owned and run stand-alone cannabis outlets in Ontario, Québec, New Brunswick, Nova Scotia and Prince Edward Island. Crown corporation run retail outlets will thus have a monopoly over the legal retailing and distribution of cannabis in these provinces, which represent approximately 67% of the Canadian population. The provinces of Alberta, Saskatchewan, Manitoba and Newfoundland and Labrador have indicated they would allow private retailers to manage the retail sales of cannabis in their provinces, while British Columbia will allow a mix of private and Crown Corporation run retail stores.

**Recent Regulatory Developments**

On November 21, 2017, Health Canada released a consultation paper entitled “Proposed Approach to the Regulation of Cannabis” (“**Proposed Regulations**”). Recognizing the Federal Government’s commitment to bringing the *Cannabis Act* (Canada) into force, the Proposed Regulations, among other things, seek to solicit public input and views on the appropriate regulatory approach to a

recreational cannabis market by building upon established regulatory requirements that are currently in place for medical cannabis. The Proposed Regulations are divided into the following seven major categories:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

On March 19, 2018, Health Canada published comments received during public consultation on the Proposed Regulations. Respondents were generally in favour of the proposed sets of licenses and permits, the proposed tracking system, proposals regarding medical cannabis and health products and cosmetics containing cannabis. In respect of security clearances, the majority of respondents were in favour of persons with non-violent or low-risk criminal history being able to obtain a license. Support varied with respect to proposals surrounding edibles and other cannabis related products. Health Canada had published specific details regarding packaging and labelling requirements. Some respondents suggested additional requirements to include more information on the label, with mixed reviews regarding packaging and branding restrictions. In response to the comments, Health Canada clarified what labelling requirements would be, with the resulting labelling and branding requirements being closer to the strict, plain tobacco packaging than more relaxed ruled regarding alcohol packaging.

**Market Demand**

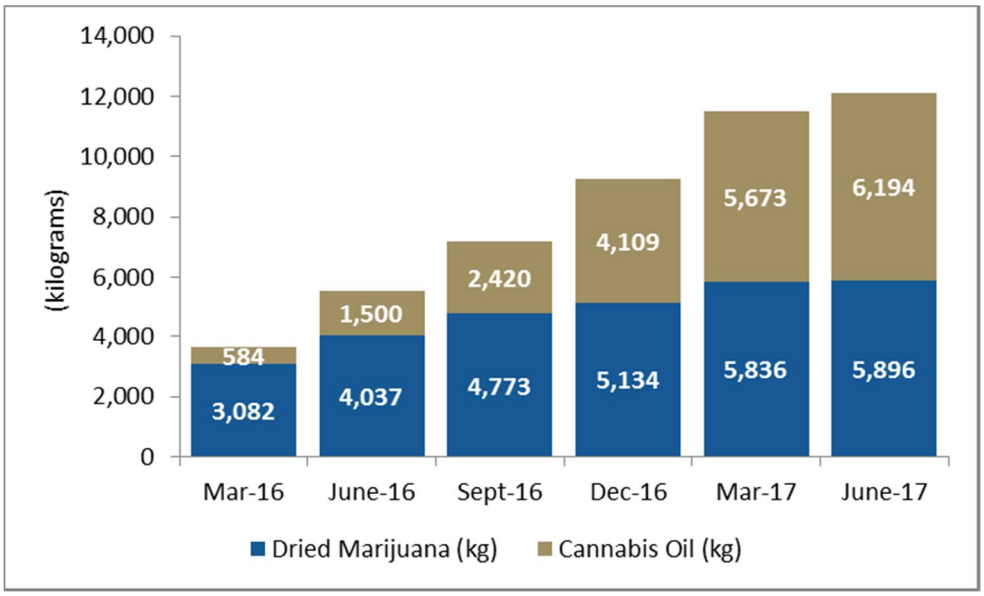
*Medical Marijuana Demand*

It is estimated that there will be 630,000 (1.7% of the population) registered medical marijuana patients in Canada by 2024, resulting in annual demand of approximately 230,000 kilograms. In 2018 it is estimated the demand by ACMPR patients will be roughly 95,000 kilograms. Based on these forecasts, it is estimated that by 2024, the value of the Canadian medical marijuana market could be $1.9 billion to $2.6 billion. (source: Mackie Research Capital Corporation ("**MRCC**"). September 20, 2017).

While legal access to medical cannabis has been available since 1999, the majority of the medical community has remained cautious about its ability to treat certain diseases and conditions. This skepticism has largely been attributable to the lack of definitive clinical data about the efficacy of medical cannabis and to social stigma regarding marijuana. However, industry proponents have been working hard to educate the medical community

about the benefits of marijuana and recent third-party studies are adding to its credibility as a legitimate treatment option for patients with chronic pain and other medical conditions. As a result, the medical marijuana industry is still in its infancy and as set out below the 330% increase in sales of medical cannabis from March 2016 to June 2017 indicates that strong growth is likely to continue for the foreseeable future. (Source: Mackie Research Capital Corporation (MRCC) September 20, 2017)

Quarterly Sales of Dried Marijuana and Cannabis Oils in Canada, 2016–17




Source: Office of Parliamentary Budget Officer "Legalized Cannabis: Fiscal Considerations", November 1, 2016

*Non-Medical Marijuana Demand*

Market studies indicate that 18% to 22% of the Canadian population aged 18 and over currently consumes recreational marijuana, so there is already a large and established user base. This translates into annual cannabis demand of approximately 700,000 to 1 million kilograms per year, all of which is being supplied through illegal channels. Based on these forecasts, it is estimate that the value of the Canadian recreational marijuana market in 2018 to be approximately $5.2 billion to $7.9 billion (based only on dried flower sales). (Source: Mackie Research Capital Corporation (MRCC) September 20, 2017).

The Canadian government estimates that approximately 70% of cannabis demand will come from the adult market (18 – 44).

| | 15-17 Years | 18-24 Years | 25-44 Years | 45-64 Years | 65 Years and Over | All |
|---|---|---|---|---|---|---|
| 2018 | 299 (187–462) | 1,390 (1,043–1,781) | 2,033 (1,535–2,530) | 863 (646–1,146) | 50 (31–87) | 4,635 (3,442–6,005) |
| 2021 | 346 (207–557) | 1,488 (1,065–1,993) | 2,335 (1,676–3,036) | 962 (690–1,326) | 62 (37–112) | 5,193 (3,674–7,024) |

(source: Office of Parliamentary Budget Officer "Legalized Cannabis" Fiscal Considerations, November 1, 2016)

## 4. NARRATIVE DESCRIPTION OF THE BUSINESS

### 4.1 – Business of ALQ

**General**

Up until the summer of 2017, ALQ was primarily engaged in the acquisition, exploration and development of mineral properties located in Canada. On August 28, 2017, ALQ announced its intention to change its business focus from being a mineral resource exploration company to an investment company. As an investment company, ALQ will be seeking investment opportunities in the global cannabis sector.

The proposed investments of ALQ will generally be early stage start-ups that already have developed a customer and revenue base with competent management in place and are seeking funding for expansion. Some additional investments may be made in companies where ALQ already invested, and others will be made in new business opportunities.

Other than angel investors, ALQ believes that few sources of early stage investment sources are available to start-up companies in the cannabis industry. It is expected that ALQ will invest in either debt or equity and likely seek board representation and generally hold a non-control position. Each investment will be somewhat unique and will require different time frames and strategies to reach maturity and will eventually divested.

Once an investment decision in a company is made, ALQ takes an active role in the formation and implementation of its strategy and may participate actively in overseeing the investee company. ALQ believes that by working closely with companies and funders (and eventually ALQ's portfolio companies) it will dramatically reduce the risk of milestone deviation. ALQ will have portfolio companies agree on a series of milestones and deliverables prior to any capital being injected into the investee company. ALQ's goal is to ensure these milestones are met on time, and within budget.

ALQ plans to identify potential sources of investment by utilizing the network and business contacts of its directors, advisory board and management team, who collectively possess substantial experience and networks in the venture capital, capital markets and cannabis industries. On closing

of the Change of Business ALQ will nominate an investment committee comprised of Matthew Morgan, Ming Jang, and Morgan Good (the "**Investment Committee**"). The Investment Committee will report directly to ALQ's board of directors, and will act pursuant to an Investment Policy substantially in the form set out hereto as Schedule "C" hereto. The skills and expertise of ALQ's advisory board will be made available both to the full board of directors, as well as the investment committee, on an as-needed basis.

Investment Committee:

Mr. Morgan is the Founder & CEO of Bloom Dispensaries, which has grown into 125+ employee, cultivation / production facility, and 6 retail locations in Arizona. He is a former Founder & CEO of Tryke Companies (Reef Nevada) which has 400+ employees, 2 cultivation / production sites and 6 retail locations serving 1.5 million patients per year. The Investment Committee expects to benefit substantially from both Mr. Morgan's considerable experience, entrepreneurial success and broad network of contacts in the cannabis sector.

Ming Jang (see below)

Morgan Good (see below)

Advisory Board:

Matthew Morgan (see above)

Dr. George Vrabec

George immigrated to Canada from the Czech Republic with his parents in 1969. He graduated from Saint George's high school and then obtained his bachelors in biochemistry and philosophy from the University of Pennsylvania. During undergrad he lettered in Indoor and Outdoor Varsity Track & Field for eight straight seasons and was elected captain of the team in his senior year. George then completed both medical school and urology residency at UBC, Vancouver and became a Fellow of the Royal College of Physicians and Surgeons of Canada in 2001. George then spent another year in Innsbruck, Austria completing a minimally invasive surgery fellowship prior to starting his current practice at Abbotsford Hospital Regional Cancer Centre. George is also interested in clinical research and is principal investigator of Exdeo Clinical Research Inc. which focuses on advanced prostate cancer and looks to enhance his practice with the emerging cannabis industry. He lives in Abbotsford with his wife Sara and three children and enjoys nordic skiing and triathlon.

Mr. Gianni Kovacevic

Mr. Kovacevic is a renowned expert on incumbent energy systems and a sought-after strategist in the divestment movement. He has invested over 20,000 hours of research and experience in the analysis of the natural resource sector. His specific expertise on copper markets as well as financial and capital markets has brought him to lecture at institutions and think-tanks around the world. An avid proponent of realistic environmentalism, he is frequently interviewed by the media and his new book, My Electrician Drives a Porsche? was published in 2016 and is available in multiple languages at book sellers everywhere. Mr. Kovacevic is a graduate of electrical studies from The British Columbia Institute of Technology, fluent in English, German, Italian and Croatian, he is a founding

member of the CO2 Master Solutions Partnership and a co-founder of CopperBank.

***Business Objectives***

Upon completion of its proposed Change of Business, ALQ expects to accomplish the following business objectives over the next 12-month period:

- Complete initiated transactions with Vulcan, Tahoe and Salvation, as more particularly set out in *Item 3.1 – General Development of the Business* above.

- Review companies that have currently been identified and have received some funding from affiliates that may qualify for further investments. In the first 12 months, subject to further due diligence, it is expected that four to six of these familiar entities will qualify for further investments. In some cases, outside investment groups or individuals may be asked to participate where it is deemed prudent to diversify risk. ALQ plans to use funds from its investment budget for this business objective.

- Review new opportunities that are uncovered and, subject to satisfactory due diligence, provide funding for at least four of these businesses in the next 12 to 24 months for a total amount of up to $12M if necessary. ALQ plans to use funds from its investment budget for this business objective.

***Total Funds Available***

At the most recent month end prior to the filing of this Listing Statement, ALQ had $7,600,000 in estimated consolidated working capital for the achievement the objectives set forth above. ALQ intends to expand its current working capital on its investment business and for general working capital purposes, on a consolidated basis, as follows:

| Description | Amount |
|---|---|
| Investments | $5,000,000 |
| Marketing | $750,000 |
| 2018 Operating Costs | $850,000 |
| General working capital | $1,000,000 |
| **Total:** | **$7,600,000** |

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for ALQ to achieve its objectives. ALQ may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding required by the Issuer will be available, if required. However, it is anticipated that the available funds will be sufficient to satisfy ALQ's objectives over the next 12 months.

**Portfolio Composition**

Following closing of the Change of Business, ALQ will hold interests in three investments in cannabis related companies (Vulcan, Salvation and Tahoe) in Canada and the United States. See *Item 3.1 – General Development of the Business*.

- *Intellectual Property:* Pursuant to the New License Agreement with Vulcan, ALQ plans to secure the rights for use of the Licensed IP, which includes name, approved photographs, approved images, voice, and approved likenesses of Dan Bilzerian exclusively within the cannabis industry in Canada. Vulcan is the exclusive owner of the Licensed IP, which includes the cannabis brand logos or related marks, including "Burn by Bilzerian" and "Ignite by Bilzerian". ALQ will use the Licensed IP through personal appearances by Dan Bilzerian and utilization of Dan Bilzerian's social media accounts.

- *Celebrity Brand Ambassador:* Dan Bilzerian is a worldwide name and his social media reach is substantial. He has over 40 million followers and his weekly impressions are over 150 million, typically when he posts something in relation to cannabis he gets over 1 million likes. Many of his followers are males between the ages of 18-40 years old.

- *The Brands:* Pursuant to the New License Agreement ALQ plans to license to the "Ignite" and "Burn" brands and use same to enter into sub-license agreements with and investments in companies in the cannabis industry to white label products with proven and select operators in jurisdictions where cannabis is legalized. Initially focused on Canada and select states that have passed legalized recreational cannabis sales and production, which at this time include Washington, Colorado, Oregon, Alaska, California, Massachusetts, Nevada and the District of Columbia.

- *The Licensing:* ALQ will use its exclusive rights and brands to white label products in the cannabis sector, including: flower and pre-rolls, oils and concentrates, capsules and sprays, edibles and topicals, clothing and merchandising. Celebrity-branded marijuana strains are already commanding a premium in recreational markets by capitalizing on name recognition and sophisticated branding. The trend toward relevant celebrity-branded cannabis is growing and could become a much bigger part of the recreational market in the future. As the marketplace becomes saturated with numerous products with varying potency and quality, ALQ anticipates its branded products will benefit from the differentiation and credibility associated with the brand's ambassadors.

- *Strategic Partners:* ALQ has established relationships with numerous sales and distribution partners with which it intends to work to establish an investment strategy in order to exploit the expanding market by licensing additional producers and processors the rights to develop branded strains of cannabis, infused and edible cannabis consumables, as well as ancillary products such as apparel, pipes, vaping devices, grinders and other new products.

**Competitive Conditions and Position**

United States

U.S. legal cannabis industry is expected to reach $75 billion in sales by 2030, according to the Financial Post (Source: http://business.financialpost.com/cannabis/cannabis-sales-look-set-to-surpass-pop-by-2030 - April 4, 2018). Twenty nine states and the District of Columbia currently have laws broadly legalizing marijuana in some form or another, nine of which, have adopted expansive laws legalizing marijuana for recreational use (Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia). Most recently, sales of recreational-use marijuana in California kicked off on January 2018. Many States allow for limited use of medical marijuana under certain circumstances. Medical marijuana laws are often broader than others, regarding types of medical conditions that allow for treatment varying from state to state.

Canada

In 2017, the Canadian Government introduced the *Cannabis Act* and an amendment to the Criminal Code, to legalize and regulate the use of cannabis for recreational purposes. The *Cannabis Act* is expected to take effect on or before October 17, 2018. Under the proposed legislation, the production, sale and possession of certain amounts of cannabis will be legal federally, though provinces will ultimately decide how cannabis will be distributed and sold within their boundaries, subject to federal requirements. The *Cannabis Act* is expected to create a highly regulated landscape for businesses looking to produce, distribute or deal in cannabis products. See *3.3 Trends, Commitments, Events or Uncertainties – CANADA* above.

International

The International legal cannabis market is expanding also with Uruguay, Germany and Israel are leading the way, and many countries in Europe and Central and South America are not far behind. ALQ believes that the worldwide following of Dan Bilzerian will expose ALQ to a number of international opportunities to expand the business in other countries as they relax their views on cannabis.

Market Segmentation and Targeting

The legal market is split into two segments: medical and recreational consumers. ALQ believes that recreational adult-use holds the greatest growth opportunity for its investment strategy. According to Statistics Canada, the majority of Cannabis users are male, and the highest percentage of users are in the 18-44 age bracket (Source: http://www.statcan.gc.ca/pub/82-003-x/2018002/article/54908/tbl/tbl01-eng.htm and 2015 Canadian Tobacco, Alcohol, and Drugs Survey (CTADS)). This aligns well with ALQ's investment in Vulcan, as Dan Bilzerian has over ten million male followers under the age of 45.

Competitive Conditions

There are numerous other celebrity brands to compete with in the cannabis space, notably:

Musicians

- Willie Nelson: Willie's Reserve
- Snoop Dogg: Leafs by Snoop

- Ghostface Killah: Wu Goo
- Bob Marley: Marley Natural
- The Game: Trees by Game
- Wiz Khalifa's Khalifa Kush
- Die Antwoord: Zef Zol
- Julian Marley: Juju Royal

Celebrities

- Trailer Park Boys
- Whoopi Goldberg: Whoopi & Maya
- Tommy Chong: Chong's Choice
- Montel Williams: LenitivLabs

**Lending and Investment Policies and Restrictions**

ALQ's primary investment objective will be to increase shareholder value through the identification of and strategic investment in securities of both private and publicly listed corporations offering capital appreciation potential. Investments will be acquired and held for both short-term gains and long-term capital appreciation, dependent upon the specific investment. The paramount goal of ALQ will be to generate superior returns from its investments.

The nature and timing of ALQ 's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to ALQ. ALQ expects its investment activities will be primarily focused on enterprises located in Canada and the United States, although investments may extend globally (including the purchase of securities listed on foreign stock exchanges). ALQ expects to limit its investment to the global cannabis industry, without regard to a specific policy on investment diversification. In this way, each investment will be assessed on its own merits and its potential to generate returns for ALQ. ALQ may invest heavily in a particular sector of the cannabis industry, or broadly diversify over a number of sectors, depending on market performance, regulatory change and other factors. ALQ believes that any risk of limited diversification may be mitigated by closely monitoring its investments, and liquidating individual investments that show signs of weakness. The actual composition of ALQ's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of financial markets and credit risk. ALQ intends to focus on investments in those marijuana businesses or assets whose intrinsic value is not properly reflected in their share or other price, perhaps as a result of financial or other distress affecting them.

Although, at least initially, ALQ will focus on common share purchases of private companies, which may be start-ups or established businesses, ALQ will maintain a flexible position with respect to the form of investment taken as such opportunities arise, provided that the investment complies with the overall investment objectives of ALQ. ALQ may employ a wide range of investment instruments, including, without limitation, preferred shares, warrants, convertible debentures, royalties, net profit interests and other hybrid instruments. Investments may also include secured or unsecured debt, including the provision of bridge

financing for short-term loan capital. ALQ will not have any particular requirements with respect to the allocation of its investments between equity and debt, again relying instead on the perceived merit of the individual investment. ALQ may also acquire distressed assets or all or a portion of one or more businesses which ALQ believes is undervalued. In the event that the purchase of an asset or business results in a change of control or reverse takeover of ALQ, ALQ will seek shareholder approval of the transaction if and as required by the rules and policies of the CSE and other applicable laws. Purchases of securities may occur on the open market or through private agreement. Where possible, the consideration paid by ALQ for an investment may include securities of its own issue. In the case of private company investments, ALQ contemplates obtaining a contractual right providing for timely access to all books and records it considers necessary to monitor and protect its investment.

From time to time, ALQ may divest a portion or all of its interest in any of its investments to realize gains or minimize losses on such investments as determined by the ALQ Board, after considering market conditions, other opportunities and other factors impacting the value of such investments. After such a divestiture of any portion or all of ALQ's interest in any of its investments, ALQ may reinvest the proceeds received from such divestiture or it may hold such surplus assets as determined by the Board considering market conditions and other investment opportunities.

ALQ primarily expects to be a passive investor. However, there may be situations in which ALQ will seek a more active role by advising management of the investee company and/or placing one or more nominees on the board of directors of the investee company. In such situations, ALQ intends to use its financial and management expertise to add or unlock value. ALQ may also structure investments to assume a controlling or joint-controlling interest.

On closing of the Change of Business ALQ will adopt an investment policy which is attached to this Listing Statement as Schedule “C”.

**Bankruptcy and Receivership**

ALQ has not been the subject of any bankruptcy or any receivership or similar proceedings against it or any voluntary bankruptcy, receivership or similar proceedings within the three most recently completed financial years or the current financial year.

**Material Restructuring**

ALQ has not been subject to any material restructuring transaction within the three most recently completed financial years other than with respect to the disposition by ALQ of its mineral projects. See *Item 3.1 – General Description of the Business*.

**Employees**

As at the date of this Listing Statement, ALQ does not have any employees.

## 4.2 Asset Backed Securities

ALQ does not have any asset backed securities.

### 4.3 Companies with Mineral Projects

ALQ does not have any mineral projects. See *Item 3.1 – General Description of the Business*.

### 4.4 Companies with Oil and Gas Operations

ALQ does not have any oil and gas operations.

## 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 5.1 Consolidated Financial Information – Annual Information

The following selected financial information of ALQ is subject to the detailed information contained in the financial statements of ALQ and related notes thereto appearing elsewhere in this Listing Statement. The selected financial information is derived from the audited financial statements for ALQ for the years ended February 28, 2018, February 28, 2017 and February 29, 2016 and for the three months ended May 31, 2018, copies of which are attached hereto as Schedule A. This information should only be read in conjunction with the audited financial statements, and accompanying notes, included elsewhere in this Listing Statement, or on ALQ's SEDAR profile at www.sedar.com.

| | **Three Months Ended May 31, 2018 (unaudited)** | **Year Ended February 29 or February 28 (audited)** | | |
|---|---|---|---|---|
| | | **2018** | **2017** | **2016** |
| | | **CDN$** | **CDN$** | **CDN$** |
| **Operating Data:** | | | | |
| Total Revenue | Nil | Nil | Nil | Nil |
| Total Expenses | 421,661 | 668,003 | 208,031 | 156,964 |
| Income (Loss) From Operations (before tax) | 393,925 | (542,156) | 225,970 | (154,520) |
| Net Income (Loss) for the period | 393,925 | (542,156) | 225,970 | (154,520) |
| Income (Loss) per share – Basic and diluted | (0.00) | (0.02) | 0.041 | (0.028) |
| Dividends | Nil | Nil | Nil | Nil |
| | | | | |
| **Balance Sheet Data:** | | | | |
| Total Current Assets | 8,108,758 | 15,724,507 | 446,450 | 75,833 |
| Total Current Liabilities | 1,437,751 | 3,743,310 | 310,561 | 198,241 |
| Shareholders' Equity (deficit) | 14,972,252 | 15,263,677 | 138,992 | (86,978) |

### 5.2 Consolidated Financial Information – Quarterly Information

The results for each of the eight most recently completed quarters ending at the end of the most recently completed fiscal year of ALQ, February 28, 2018, are summarized below:

| Quarter Ending | Revenue | Income (Loss) | Income (Loss) per Share |
|---|---|---|---|
| Nov 30, 2017 | Nil | 37,842 | 0.00 |
| Aug 31, 2017 | Nil | (83,323) | (0.02) |
| May 31, 2017 | Nil | (122,390) | (0.04) |
| Feb 28, 2017 | Nil | (5,898) | (0.00) |
| Nov 30, 2016 | Nil | 327,375 | 0.16 |
| Aug 31, 2016 | Nil | (46,012) | (0.02) |
| May 31, 2016 | Nil | (37,546) | (0.02) |
| Feb 29, 2016 | Nil | (37,546) | (0.02) |

### 5.3 Dividends

ALQ does not have a dividend policy and has no current plans to pay dividends to its shareholders.

### 5.4 Foreign GAAP

This item does not apply to ALQ .

## 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

ALQ's management's discussion and analysis ("**MD&A**") for the year ended February 28, 2018 and the three months ended May 31, 2018 are attached to this Listing Statement as Schedule B. ALQ's MD&A should be read in conjunction with the unaudited financial statements of ALQ for the three months ended May 31, 2018 (and the notes thereto) and the audited financial statements of ALQ for the year ended February 28, 2018 (and the notes thereto), which are included in this Listing Statement in Schedule B.

## 7. MARKET FOR SECURITIES

The ALQ Shares are currently listed for trading on the CSE under the symbol "ALQ", however have been halted in contemplation of the Change of Business since August 28, 2017. Prior to listing on the CSE, the ALQ Shares were previously listed and posted for trading on the TSX Venture Exchange under the symbol "ALQ".

Upon completion of the Change of Business, and subject to CSE Approval, it is expected that the ALQ Shares will be re-listed for trading on the CSE under the symbol "BILZ".

## 8. CONSOLIDATED CAPITALIZATION

Post-Consolidation, the outstanding capital of ALQ as of the date hereof consists of, and following completion of the Change of Business is expected to consist of:

a) 52,520,314 ALQ Shares[(1)];
b) 7,040,678 ALQ Warrants; and
c) 1,312,500 ALQ Options.

Note:

(1) This amount includes 12,289,085 ALQ Shares, the issuance of which are subject to the Consolidation previously announced but not yet effected. Those ALQ Shares will be issued immediately on completion of the Consolidation, and have been paid for in full. The ALQ Share figures in this Listing Statement assume the issuance of these ALQ Shares, as such issuance will be completed prior to the completion of the Change of Business. It also includes all of ALQ Shares issued pursuant to various private placements announced after the announcement of the Consolidation, which ALQ Shares were issued on a pre-Consolidated basis. This amount does not include ALQ Shares reserved for issuance pursuant to outstanding ALQ Warrants, ALQ Options or ALQ Broker Warrants.

## 9. OPTIONS TO PURCHASE SECURITIES

ALQ currently has in place a 10% rolling stock option plan (the "**ALQ Option Plan**"). The ALQ Option Plan was previously approved by the shareholders of ALQ at an annual general and special meeting on September 14, 2017. Under the ALQ Option Plan, ALQ's Board of Directors may, from time to time, grant stock options to purchase ALQ Shares to certain directors, officers, employees and consultants of ALQ and of its subsidiaries and affiliates. The material terms of the ALQ Option Plan are as follows:

- The aggregate maximum number of ALQ Options which may be granted under the ALQ Option Plan at any one time is 10% of the number of ALQ Shares has outstanding at the time of grant.

- The term of any ALQ Options granted under the ALQ Option Plan will be fixed by the board of directors at the time such options are granted, provided that ALQ Options will not be permitted to exceed a term of ten years.

- The exercise price of any ALQ Options granted under the ALQ Option Plan will be determined by the ALQ Board of Directors, in its sole discretion, but shall not be less than the closing price of ALQ's Shares on the day preceding the day on which the directors grant such options.

- Vesting restrictions may apply to ALQ Options granted, at the discretion of the ALQ Board of Directors at the time of grant.

- All ALQ Options will be non-assignable and non-transferable.

- Optionholders may be entitled to exercise their ALQ Options for a fixed period of time after they cease to be a director, employee, consultant or management company employee of ALQ (typically being 90 days, depending on the

circumstances).

- Disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding ALQ Option if the optionholder is an insider; (ii) any grant of ALQ Options to insiders, within a 12 month period, exceeding 10% of ALQ's Shares; and (iii) any grant of ALQ Options to any one individual, within a 12 month period, exceeding 5% of ALQ's Shares.

- ALQ Options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of ALQ's Shares.

The above is a summary of the principal terms of the ALQ Option Plan, which summary is qualified by and is subject to the full terms and conditions of the ALQ Option Plan.

As at the date of this Listing Statement, ALQ has 52,520,314 post-Consolidation ALQ Shares issued(1) and outstanding so that a maximum of 5,231,381 ALQ Shares would be available for issuance pursuant to ALQ Options granted under the ALQ Option Plan. Currently there are 1,312,500 post-Consolidation ALQ Options outstanding under the ALQ Option Plan as summarized in the below table, leaving 3,939,531 ALQ Shares available for grant of further ALQ Options.

| Category | Number of Options | Securities Under Option | Grant Date | Expiry Date | Exercise Price Per Common Share CDN$ | Market Value of the Common Share on the Date of Grant CDN$ | Market Value of the Common Shares |
|---|---|---|---|---|---|---|---|
| Directors | 312,500 | 312,500 | February 24, 2014 | February 24, 2019 | $0.12 | $0.12 | $0.43 |
| Directors and consultants | 1,000,000 | 1,000,000 | April 30, 2018 | April 30, 2023 | $1.00 | $1.00 | $1.00 |

Note:

(1) This amount includes 12,289,085 ALQ Shares, the issuance of which are subject to the Consolidation previously announced but not yet effected. Those ALQ Shares will be issued immediately on completion of the Consolidation, and have been paid for in full. The ALQ Share figures in this Listing Statement assume the issuance of these ALQ Shares, as such issuance will be completed prior to the completion of the Change of Business. It also includes all of ALQ Shares issued pursuant to various private placements announced after the announcement of the Consolidation, which ALQ Shares were issued on a pre-Consolidated basis. This amount does not include ALQ Shares reserved for issuance pursuant to outstanding ALQ Warrants, ALQ Options or ALQ Broker Warrants.

## 10. DESCRIPTION OF THE SECURITIES

### 10.1 Description of the Securities

*ALQ Shares*

ALQ is authorized to issue an unlimited number of ALQ Shares without par value. As at the date of this Listing Statement, and after giving effect to the Consolidation, there are 52,520,314 ALQ Shares issued and outstanding as fully paid and non- assessable shares. Holders of the ALQ Shares have the right to receive notice of, and vote upon matters at, shareholder meetings of ALQ. Holders of ALQ Shares have the right to receive dividends as declared.

The holders of the ALQ Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of ALQ and each ALQ Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of ALQ. The holders of the ALQ Shares, subject to the prior rights, if any, of any other class of shares of ALQ, are entitled to receive such dividends in any financial year as the board of directors of the Company may be determined by resolution. In the event of the liquidation, dissolution or winding-up of ALQ or other distribution of assets of ALQ among the holders of ALQ Shares, whether voluntary or involuntary, the holders of ALQ Shares will rank equally as to priority of distribution, subject to the prior rights, if any, of the holders of any other class of shares of ALQ.

The ALQ Shares are not subject to any pre-emptive rights, conversion or exchange rights, or provisions providing for redemption, retraction, purchase for cancellation or surrender. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a security holder to contribute additional capital.

*ALQ Options*

See "*Options to Purchase Securities –Issuer Option Plan*".

**10.2 -10.6 Miscellaneous Securities Provisions**

None of the matters set out in sections 10.2 to 10.6 of CSE Form 2A are applicable to the share structure of ALQ.

**10.7 Prior Sales**

The ALQ Shares are listed on the CSE under the ticker symbol “ALQ”. The following tables set forth the issuances of ALQ Shares within the last twelve (12) months before the date of this Listing Statement.

| Date Issued | Number of ALQ Shares | Issue Price per ALQ Share | Aggregate Issue Price | Nature of Consideration |
|---|---|---|---|---|
| July 31, 2017 | 24,578,170 | $0.075 | $1,843,363 | Cash |
| September 28, 2017(1) | 3,974,000 | $0.35 | $1,390,900 | Cash |

| | | | | |
|---|---|---|---|---|
| October 31, 2017[2] | 3,363,267 | $0.35 | $1,177,143 | Cash |
| November 24, 2017[3] | 2,621,786 | $0.35 | $1,835,250 | Cash |
| January 24, 2018[4] | 3,009,356 | $0.35 | $1,053,275 | Cash |
| February 8, 14 and 16[5] | 12,007,900 | $1.00 | $12,007,900 | Cash |
| February 16, 2018[6] | 206,500 | $1.00 | $206,500 | Finder's Fee |

Notes:
(1) Tranche 1 of a non-brokered private placement to raise up to $4,000,000 at $0.35.
(2) Tranche 2 of a non-brokered private placement to raise up to $4,000,000 at $0.35.
(3) Tranche 3 of a non-brokered private placement to raise up to $4,000,000 at $0.35.
(4) Tranche 4 of a non-brokered private placement to raise up to $4,000,000 at $0.35.
(5) Tranches 1-3 of a non-brokered private placement for aggregate gross proceeds of $12,007,900
(6) Finder's units issued in connection with non-brokered private placement of 12,007,900 units.

### 10.8 Stock Exchange Price

The following table sets out the post-Consolidated price ranges and volume traded or quoted on the CSE for the ALQ Shares for the 15-month period prior to the date of this Listing Application.

| Period | High ($) | Low ($) | Volume |
|---|---|---|---|
| September 2017 - Present[1] | *Trading Halted* | | |
| August 2017[1] | $0.43 | $0.10 | 157,200 |
| July 2017 | $0.095 | $0.07 | 62,125 |
| June 2017 | $0.055 | $0.05 | 52,450 |
| May 2017 | $0.06 | $0.05 | 24,000 |

Note:
(1) The ALQ Shares were halted on August 28, 2017 on the announcement of the Change of Business of ALQ and will remain halted pending completion of Change of Business.

## 11. ESCROWED SECURITIES

As required under the CSE Policies, Principals of ALQ will enter into an escrow agreement (the "**Escrow Agreement**") as if ALQ was subject to the requirements of NP 46-201. The form of the Escrow Agreement must be as provided in NP 46-201. The Escrowed Securities to be held in escrow pursuant to the terms of the Escrow Agreement shall be released in

accordance with the release schedule set forth therein. Pursuant to the Escrow Agreement, 10% of the Escrowed Securities will be released by the Escrow Agent on the date of the CSE Listing followed by six subsequent releases of 15% every six months thereafter, subject to the rules of the CSE.

The table below includes the details of (post-Consolidation) Escrowed Securities that will be held by Principals of ALQ:

| **Designation of class held in escrow** (1) | **Number of securities held in escrow** | **Percentage of class** |
|---|---|---|
| ALQ Shares | | |
| 1. Brandon Boddy | 1. 500,000 | 1. 0.95% |
| 2. Morgan Good | 2. 558,000 | 2. 1.06% |
| 3. Donna Moroney | 3. Nil | 3. Nil |
| 4. Ming Jang | 4. Nil | 4. Nil |
| Options to Acquire ALQ Shares | | |
| 1. Brandon Boddy | 1. 200,000 | 1. 15.24% |
| 2. Morgan Good | 2. 300,000 | 2. 22.86% |
| 3. Donna Moroney | 3. Nil | 3. Nil |
| 4. Ming Jang | 4. 100,000 | 4. 15.24% |
| Warrants to Acquire ALQ Shares | | |
| 1. Brandon Boddy | 1. Nil | 1. Nil |
| 2. Morgan Good | 2. Nil | 2. Nil |
| 3. Donna Moroney | 3. Nil | 3. Nil |
| 4. Ming Jang | 4. Nil | 4. Nil |

Notes:
(1) It is anticipated that the Escrow Agent will be the depository for these shares.

## 12. PRINCIPAL SHAREHOLDERS

### 12.1 - 12.2 Principal Shareholders

As at 30 days before the date of the Listing Statement, to the knowledge of the directors and officers of ALQ, no Persons will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of ALQ.

### 12.3 Voting Trusts

To the knowledge of ALQ, no voting trust exists within ALQ such that more than 10% of any class of voting securities of ALQ are held, or are to be held, subject to any voting trust or other similar agreement.

### 12.4 Associates and Affiliates

To the knowledge of ALQ, none of the principal shareholders of ALQ is an Associate or Affiliate of any other principal shareholder.

## 13. DIRECTORS AND OFFICERS

### 13.1 - 13.5 Directors and Officers

The Articles of ALQ provide that the number of directors should not be fewer than three (3) directors. Each director holds office until the close of the next annual general meeting of ALQ, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. ALQ's Board of Directors currently consists of three (3) directors, of whom one (1) can be defined as independent (as defined in *National Instrument 52-110 – Audit Committees*).

Each of ALQ's current directors and officers will be appointed upon the completion of the Change of Business. The term of each director will expire on the date of the next annual general meeting, unless his or her office is earlier vacated or he or she is removed in accordance with ALQ's Articles and the BCBCA.

The following table lists the names, municipalities of residence of the proposed directors and officers of ALQ, their positions and offices held with ALQ, and their principal occupations during the past five (5) years and the number of securities of ALQ that are beneficially owned, directly or indirectly, or over which control or direction will be exercised by each.

| **Name, Municipality of Residence and Position Held** | **Principal Occupation for Past Five Years** | **Director of ALQ Since** | **Number and Percentage of ALQ Shares Beneficially Owned or Controlled** (2) |
|---|---|---|---|
| Morgan Good(1)<br>Vancouver, BC<br>Interim Chief Executive Officer and Director | Founder, Patriot Capital Corp. – merchant bank investing in public and private venture capital opportunities; former president and director, Secova Metals Corp., Vancouver based mining issuer with assets in Quebec | August 9, 2017 | 558,000 ALQ Shares (1.06%) |
| Ming Jang(1)<br>Vancouver, British Columbia<br>Director and CFO | Chartered Professional Accountant; CFO of ALQ; Appointed CFO of Canadian Imperial Venture Corp. on January 2017; former CFO of Gulf Shores Resources Corp. until August 2016 | August 3, 2017 | Nil ALQ Shares |

| | | | |
|---|---|---|---|
| Brandon Boddy[1]<br>Vancouver, British Columbia<br>Director | Director of ALQ; CEO of Tiller Resources Ltd. (TSXV: TIR); Investment Advisor with Jordan Capital from April 2011 to October 2014 and director of Moovly Media Inc. Former CEO of Opal Energy Corp until May 2016 | August 3, 2017 | 500,000<br>(0.95%) |
| Donna Moroney<br>Corporate Secretary<br>Vancouver, British Columbia | President of Wiklow Corporate Services Inc. – a securities and exchange compliance service provided – since 2008 | (Officer only)<br>May 1, 2018 | Nil |

**Note:**
(1) Members of the Audit Committee.
(2) Post-Consolidation.

The directors and executive officers of ALQ beneficially own, directly or indirectly, as a group 758,000 post-Consolidation ALQ Shares representing approximately 1.44% of all outstanding ALQ Shares on a non-dilutive basis.

ALQ's audit committee consists of Morgan Good, Ming Jang and Brandon Boddy, each of whom is a director of ALQ and are financially literate in accordance with National Instrument 52-110 *Audit Committees* ("**NI 52-110**"). Brandon Boddy is independent, as defined under NI 52-110, and Ming Jang and Morgan Good are not independent as they are officers of ALQ. ALQ relies on the exemption found in Section 6.1 of NI 52-110 in respect of a majority of independent audit committee.

The ALQ Board may from time to time establish additional committees.

**13.6 -13.9 Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies**

No proposed director, officer or shareholder holding a sufficient number of securities of ALQ:

a) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company, including any personal holding company of such director, chief executive officer or chief financial officer that:

   (i) while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

   (ii) was the subject of a cease trade or similar order or an order that denied

the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days issued after the that person issued after the director, chief executive officer or chief financial officer ceased to be a director or executive officer and which resulted from an event that occurred while the person was acting in such capacity;

b) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director or executive officer of any company (including ALQ and any personal holding company of such director or executive officer) 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; or

c) nor any personal holding company has, within 10 years before the date of this Listing Statement, 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 such person or their personal holding company.

No proposed director or executive officer of ALQ has been subject to: (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in making an investment decision.

**13.10 Conflicts of Interest**

Conflicts of interest may arise as a result of the directors, officers and promoters of ALQ also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of ALQ have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of ALQ will be in direct competition with ALQ. Conflicts, if any, will be subject to the procedures and remedies provided under BCBCA.

**13.11 Management**

Brief descriptions of the biographies for all of the officers and directors of ALQ are set out below:

**Morgan Good** (35) – Interim CEO and Director - Mr. Good is a venture capitalist with 15 years of experience as a stock market professional focusing in areas of finance, corporate development and investor relations. He founded Patriot Capital Corporation in early 2013 to invest in both private and public companies, with an emphasis on acquiring large positions in well-structured entities. Mr. Good served as the President and a director of Secova Metals Corp. (SEK.V), a Vancouver based mining exploration company with assets in Quebec from

August 2015 through to November 2017. In addition to serving many resource based public companies throughout his career, Mr. Good has also assisted with projects in the cannabis, healthcare, biotech and technology fields. Mr. Good will be an independent contractor of ALQ and it is expected he will be devoting 75% of his time to ALQ. Mr. Good's consulting agreement with ALQ includes confidentiality provisions standard for a consultant in Mr. Good's position. As a director, Mr. Good owes a fiduciary duty to ALQ as a director, which includes certain duties of confidentiality and non-competition.

**Ming Jang** (56) – Director – Mr. Jang is Chartered Professional Accountant (since 2000). He is President of MJJ & Associates Consulting Ltd., a private company through which Mr. Jang provides accounting services to private and public companies. Mr. Jang current serves as CFO of Canadian Imperial Venture Corp (TSXV:CQV) (since January 2017) and had served as CFO of Gulf Shores Resources Ltd (from June 2012 to August 2016) as well as several ASX listed companies. Mr. Jang current serves as a director for a non-profit organization. Mr. Jang will be an independent contractor of ALQ and it is expected he will be devoting 65% of his time to ALQ. Mr. Jang's consulting agreement with ALQ includes confidentiality provisions standard for a consultant in Mr. Jang's position. As a director, Mr. Jang owes a fiduciary duty to ALQ as a director, which includes certain duties of confidentiality and non-competition.

**Brandon Boddy** (33) – Director – Mr. Boddy has over 10 years of finance and capital market experience. He is currently the President of Boddy and Co. Investments Ltd. He formerly worked as an investment adviser at Jordan Capital Markets and Canaccord Capital, specializing in developing, restructuring and financing venture capital companies including Versus Systems Inc. Brandon serves on the board of directors of a number of public technology and resource issuers. He is currently the CEO of Tiller Resources Ltd. (TIR) and a director of Moovly Media Inc. (MVY). Brandon attended the University of New Orleans, studying business administration, and finished his degree at British Columbia Institute of Technology. Mr. Boddy will be an independent contractor of ALQ and it is expected he will be devoting 10% of his time to ALQ. As an independent director, Mr. Boddy does not perform services pursuant to a written consulting agreement. Mr. Boddy owes a fiduciary duty to ALQ as a director, which includes certain duties of confidentiality and non-competition.

**Donna Moroney** (57) – Corporate Secretary – Donna Moroney has been President of Wiklow Corporate Services Inc. since December 31, 2008. With over 30 years of extensive experience in regulatory and corporate compliance in both Canada and the United States, and as a director and senior officer for various public companies, Donna has acquired substantial knowledge and ability in the areas of regulatory and exchange compliance. It is expected Donna Moroney will devote 10% of her time to ALQ. Ms. Moroney's consulting agreement with ALQ includes confidentiality provisions standard for a consultant in Ms. Moroney's position. Consistent with her position as Corporate Secretary, Ms. Moroney will not be bound by any lasting non-competition obligations in the event she ceases to act as Corporate Secretary of ALQ.

## 14. CAPITALIZATION

### 14.1 Capitalization

The following chart is with respect to ALQ Shares to be listed upon completion of the proposed Change of Business:

| | **Number of Securities (non-diluted)** | **Number of Securities (fully diluted)** | **Percentage of Issued (non-diluted)** | **Percentage of Issued (fully diluted)** |
|---|---|---|---|---|
| **Public Float** | | | | |
| Total Outstanding (A) | 52,520,314 | 60,873,492 | 100% | 100% |
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 758,000 | 1,108,000 | 1.44% | 1.82% |
| Total Public Float (A-B) | 51,762,314 | 59,765,492 | 98.56% | 98.18% |
| **Freely-Tradeable Float** | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 12,214,400 | 6,699,015 | 23.26% | 11.00% |
| Total Tradeable Float (A-C) | 40,305,914 | 54,174,477 | 76.74% | 89.00% |

**Public Securityholders (Registered) of ALQ**

The following table sets out the number of public securityholders (registered) of ALQ:

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | 12 | 462 |
| 100 -499 securities | 6 | 1,535 |
| 500 – 999 securities | 12 | 7,200 |
| 1,000 – 1,999 securities | 16 | 21,275 |
| 2,000 – 2,999 securities | 15 | 36,174 |
| 3,000 – 3,999 securities | 3 | 10,283 |
| 4,000 – 4,999 securities | 2 | 8,000 |
| 5,000 or more securities | 142 | 40,146,294 |

| TOTAL | 208 | 40,231,223 |
|---|---|---|
| TOTAL BOARD LOTS | 190 | |

**Public Securityholders (Total) of ALQ**

The following table sets out the number of public securityholders (beneficial)[1] of:

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | 30 | 1,571 |
| 100 -499 securities | 98 | 23,410 |
| 500 – 999 securities | 78 | 53,203 |
| 1,000 – 1,999 securities | 83 | 107,190 |
| 2,000 – 2,999 securities | 50 | 113,252 |
| 3,000 – 3,999 securities | 24 | 81,625 |
| 4,000 – 4,999 securities | 8 | 33,207 |
| 5,000 or more securities | 352 | 46,630,138 |
| **TOTAL** | 723 | 47,043,596 |

**Note:**
(1) The amounts included in this table are based on a share range report dated May 14, 2018 and are accordingly provided on a pre-Consolidation basis. ALQ will have other beneficial holders of its securities that it is not aware of. Certain of the shareholders in this table may be insiders of ALQ, however such information is not distinguished in a range report and accordingly is outside the knowledge of ALQ.

## 14.2 Convertible/Exchange Securities

| Description of Security (include conversion/exercise terms, including conversion/exercise price) | Number of convertible/exchangeable securities | Number of listed securities issuable upon conversion/exchange |
|---|---|---|
| ALQ Options[1] | 1,312,500 | 1,312,500 |
| ALQ Warrants[2] | 7,040,678 | 7,040,678 |

**Notes:**
(1) 312,500 of which are exercisable at a price of $0.12 until February 24, 2019; and 1,000,000 of which are exercisable at a price of $1.00 until April 30, 2023
(2) 191,128 of which are exercisable at $0.43 until October 31, 2019; 150,535 of which are exercisable at a price of $0.43 until November 24, 2019; 2,880,615 of which are exercisable at a price of $2.50 until February 8, 2019; 630,700 of which are exercisable at a price of $2.50 until February 14, 2019; and 3,187,700 of which are exercisable at a price of $2.50 until February 16, 2019.

### 14.3 Other Listed Securities

ALQ does not have any other listed securities reserved for issuance that are not included in section 14.1 or 14.2.

## 15. EXECUTIVE COMPENSATION

Details related to the executive compensation paid by ALQ, prepared in accordance with Form 51-102F6 of National Instrument 51-102 – *Continuous Disclosure Obligations*, are described below and can also be found on SEDAR (www.sedar.com) in ALQ's management information circular dated August 14, 2017.

The objectives, criteria and analysis of the compensation of the executive officers of ALQ will be determined by the ALQ Board.

In this section "Named Executive Officers" mean (a) the Chief Executive Officer (or an individual who acted in a similar capacity), (b) the Chief Financial Officer (or an individual who acted in a similar capacity), (c) ALQ's other most highly compensated executive officer, whose total compensation exceeded $150,000, and (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of ALQ, and was not acting in a similar capacity, at the end of that financial year. ALQ will have **two** Named Executive Officers ("**NEOs**"), namely Morgan Good, Interim Chief Executive Officer ("**CEO**") and Ming Jang, Chief Financial Officer ("**CFO**").

The compensation structure, policies and programs of ALQ regarding its NEOs will be determined by the ALQ Board, based on its evaluation of the performance of the NEOs, ALQ's cash position and general public market conditions. The ALQ Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive's level of responsibility; bearing in mind the very limited cash reserves of Resulting Issuer. In general, a NEO's compensation is comprised of (i) base salary; (ii) option based awards; and (iii) bonuses.

Compensation Discussion and Analysis

ALQ's compensation philosophy for executive officers will follow three underlying principles:

a) to provide compensation packages that encourage and motivate performance;

b) to be competitive with other companies of similar size and scope of operations so as to attract and retain talented executives; and

c) to align the interests of its executive officers with the long-term interests of ALQ and its shareholders through stock related programs.

When determining compensation policies and individual compensation levels for ALQ's executive officers, ALQ will take into consideration a variety of factors, including the overall financial and operating performance of ALQ, and the ALQ Board's overall assessment of:

a) each executive officer's individual performance and contribution towards meeting corporate objectives;

b) each executive officer's level of responsibility,

c) each executive officer's length of service; and

d) industry comparables.

In keeping with ALQ's philosophy to link senior executive compensation to corporate performance and to motivate senior executives to achieve exceptional levels of performance, ALQ intends to adopt a model that includes both base salary or consulting fees and "at-risk" compensation, comprised of participation in ALQ's Option Plan as described herein. In addition, ALQ may award performance bonuses based on executives meeting short-term performance milestones.

Base Salary - Fees

Base salary and consulting fee levels reflect the fixed component of pay that compensates executives for fulfilling their roles and responsibilities and assists in the attraction and retention of highly qualified executives. Base salaries will be reviewed annually to ensure they reflect each respective executive's performance and experience in fulfilling his or her role and to ensure executive retention. After completion of the Change of Business, it is expected that base salaries and consulting fees will be set at below industry standard levels, which is reflective of ALQ's general lack of monetary resources, and the need to make more capital available for development of the ALQ's business. Compensation is made up with the provision of ALQ Options (see below for description). Salary and consulting fee levels will be reviewed and revised as ALQ grows.

Stock Options

Performance-based incentives will be granted by way of ALQ Options. The awards are intended to align executive interests with those of shareholders by tying compensation to share performance and to assist in retention through vesting provisions. Grants of ALQ Issuer Options will be based on:

a) the executive's performance;

b) the executive's level of responsibility within ALQ;

c) the number and exercise price of options previously issued to the executive;

d) the difference between the executive's salary and that paid by comparable companies; and

e) the overall aggregate total compensation package provided to the executive.

ALQ Options will typically be granted on an annual basis in connection with the review of executives' compensation packages. ALQ Options may also be granted to executives upon hire or promotion and as special recognition for extraordinary performance.

Chief Executive Officer Compensation

The components of CEO's compensation will be the same as those which apply to the other senior executive officers of ALQ, namely base salary or consulting fees, stock option incentives and discretionary performance bonuses (which are subject to targets being achieved). In setting the recommended salary or consulting fees of the CEO, ALQ will take into consideration the salaries or fees paid to other chief executive officers in similar industries and in the public company sector, as described above under the heading "Compensation Discussion and Analysis". In setting the salary or fees, performance bonus and long-term incentives for the CEO, ALQ will evaluate the performance of the CEO in light of his impact on the achievement of ALQ's goals and objectives.

**Director and NEO Compensation, Excluding Compensation Securities**

The following table sets forth the anticipated compensation to be paid or awarded to the NEOs and directors of ALQ:

**Table of Compensation Excluding Compensation Securities**

| Name & position | Year | Salary, Consulting Fee, Retainer or Commission ($) | Bonus ($) | Committee or meeting fees ($) | Value of Perquisites ($) | Value of all other compensation ($) | Total compensation ($) |
|---|---|---|---|---|---|---|---|
| Morgan Good, Interim CEO and Director | 2018 | $120,000 | Nil | Nil | Nil | Nil | $120,000 |
| Ming Jang, CFO and Director | 2018 | $102,000 | Nil | Nil | Nil | Nil | $102,000 |
| Brandon Boddy, Director | 2018 | Nil | Nil | Nil | Nil | Nil | Nil |
| Donna Moroney, Corporate Secretary | 2018 | $30,000 | Nil | Nil | Nil | Nil | $30,000 |

The determination of NEO compensation and how and when such compensation is to be determined is subject to the consideration of the ALQ Board.

**Stock Options and Other Compensation Securities**

After completion of the Change of Business, there are no near-term ALQ Option grants to any NEOs or the directors of ALQ. ALQ will not have any other plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan or portion of a plan under which awards will be granted.

ALQ will not have any share-based awards, long-term incentive plans and, save as disclosed above, no remuneration payments to be made, directly or indirectly, by ALQ to its directors or NEOs on completion of the Change of Business.

ALQ has no other plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan or portion of a plan under which awards will be granted.

**Employment, Consulting and Management Agreements**

ALQ does not intend to enter into any agreements or arrangements under which compensation would be provided during the next financial year or would be payable in respect of services provided to ALQ that are:

a) performed by a director or a NEO, or

b) performed by any other party but are services typically provided by a director or a NEO,

other than the grant of options under the ALQ Option Plan, and the reimbursement of expenses any director or NEO may have incurred on behalf of ALQ.

In particular, after the completion of the Change of Business, ALQ does not intend to enter into any agreements or arrangement containing provisions with respect to change of control, severance, termination or constructive dismissal.

**Pension disclosure**

ALQ does not intend to provide any form of pension or retirement plan to any of its directors or NEOs.

**Directors' and Officers' Liability Insurance**

ALQ does intends to maintain directors' and officers' liability insurance following completion of the Change of Business, but has not entered into any written agreement to acquire such insurance as of the date hereof.

## 16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At any time since the beginning of the most recently completed financial years of ALQ, no director, executive officer or other senior officer of ALQ or person who acted in such capacity in the last financial year of ALQ or any Associate of any such director or officer is, or has been, indebted to ALQ, as applicable, nor has any such persons indebtedness to another entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by ALQ or a subsidiary thereof.

## 17. RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described in this Listing Statement are not the only ones ALQ may face. Additional risks and uncertainties that ALQ is unaware of, or that ALQ currently deems not to be material, may also become important factors that affect ALQ. If any such risks actually occur, ALQ's business, financial condition or results of operations could be materially adversely affected. In that case, you could lose all or part of your investment.

An investment in the ALQ Shares should be considered highly speculative, not only due to the nature of ALQ's existing business and operations, but also due to the uncertainty related to the completion of the proposed Change of Business. In evaluating the Change of Business, holders of ALQ Shares and investors generally should carefully consider not only the following risk factors relating to the ALQ Shares, but the risk factors associated with the business of ALQ set out below. The following list of risk factors is not a definitive list of all risk factors associated with ALQ or the Change of Business. Additional risks and uncertainties, including those currently known or considered immaterial by ALQ, may also adversely affect the ALQ Shares, and/or the business of ALQ.

**Risks Relating to the Change of Business**

***CSE may not approve the Proposed Change of Business***

The proposed Change of Business constitutes a "change of business" pursuant to the policies of the CSE. Although ALQ has received conditional approval from the CSE, there can be no assurance ALQ will be able to satisfy the requirements of the CSE such that the CSE will provide final approval of the proposed Change of Business and issue the final approval. If ALQ is unable to successfully complete the Change of Business transaction, the ALQ Shares may be delisted for trading from the CSE, in which case there may be no market through which the ALQ Shares may be traded.

**Risks Relating to Investment Companies**

***Transaction Risk***

ALQ's proposed transactions with Vulcan, Tahoe and Salvation may not close prior to completion of the Change of Business, or at all. This may impair ALQ's ability to generate revenue following completion of the Change of Business, and may require ALQ to engage addition members of its management team and advisory board; these additions may cause

changes to the anticipated executive compensation estimates given above, and may delay the development of ALQ's business.

***No operating history as an investment company***

ALQ and its management have no history of operations as an investment company. As such, upon completion of the proposed Change of Business, ALQ will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the lack of experience in managing and operating the business and the risk that ALQ will not achieve its financial objectives as estimated by management or at all.

***Lack of Availability of Growth Opportunities***

ALQ's business plan includes growth through ALQ's identification of suitable investment or acquisition opportunities, pursuing such opportunities, consummating investments or acquisitions, and effectively generating returns on such investments or acquisitions. If ALQ is unable to manage its growth effectively, its business, operating results, and financial condition could be adversely affected.

***Suitable Investment Candidates***

ALQ expects a significant and major portion of its future growth to come from high-quality capital investments and acquisitions. There is no assurance that ALQ can successfully identify suitable investment candidates. If suitable candidates are identified, however, ALQ may not be able to complete an investment or acquisition on terms that are beneficial and acceptable to ALQ. In addition, ALQ competes with other entities to acquire quality technology investments and acquisitions. Some of its competitors may have greater financial resources than ALQ does and may be able to outbid ALQ for these investment or acquisition targets. If ALQ is unable to complete investments or acquisitions, its growth strategy may be impeded and its earnings or revenue growth may be negatively affected.

If ALQ succeeds in making investments or acquiring cannabis targets or a portion thereof, the investment or acquired companies may not perform to ALQ's expectations for various reasons. Should an investment or acquired entity fail to perform to ALQ's expectations, ALQ's business, prospects, results of operations and financial condition may materially and adversely affected.

***Limited Diversification of Investments***

As ALQ will be focusing on investments and acquisitions in the cannabis industry and, hence, concentrating its invested funds in one industry, ALQ is subject to greater risk in one or more of its future investments should the cannabis sector experience a downturn or never become legal. A decline in the cannabis sector will likely have a material adverse effect on ALQ's business, results from operations, and financial condition. In addition, ALQ is more exposed to business cycles than it would be if it owned a high number of investments diversified over various industries with differing business cycles in different geographic areas.

***Foreign Taxes and Double Taxation***

ALQ may invest into cannabis companies based in foreign jurisdictions and may be subject to double taxation on its foreign investments, which will reduce the return on investments and the profitability, if any, of ALQ.

***Conflicts of Interest***

ALQ may, in the future, raise further funds through the sale of securities to other companies which may be associated with the directors of officers of ALQ, and, as such, the directors and officers of ALQ may increase their ownership and/or control positions in ALQ without an equal opportunity to participate in such financings being granted to other shareholders. Under certain circumstances, shareholder approval of such action may be required. As certain directors and officers are involved with other companies, there may be potential conflicts of interest limiting the amount of time managing the affairs of ALQ.

***Inability to Perform Accurate Due Diligence***

ALQ will be investing in start-up companies and may not have the resources or may be not be able to perform detailed due diligence, which may result in a partial or complete loss of investments.

***Lack of Capital***

Until revenues exceed expenses, ALQ raises the necessary capital through private placements and other financing tools. There can be no assurance that management will be successful in raising the necessary capital required to fund ongoing activities.

***The investment business is highly competitive***

The investment business is highly competitive, and is expected to remain so. Assuming completion of the proposed Change of Business, ALQ's competitors may include merchant and investment banks, brokerage firms, commercial banks and private equity firms. Many of ALQ's potential competitors have substantially greater capital and resources than ALQ does. If ALQ is unable to compete effectively with its competitors, its business and results of operations may be adversely affected.

***ALQ may face a lack of suitable acquisition or merger or other investment candidates, which may limit its growth***

In order to grow the proposed business, ALQ may seek to acquire or merge with or invest in new companies or opportunities. A failure to make acquisitions or investments may limit ALQ's growth. In pursuing acquisition and investment opportunities, ALQ expects to face competition from other companies having similar growth and investment strategies, many of which may have substantially greater resources. Competition for these acquisitions or investment targets could result in increased acquisition or investment prices, higher risks and a diminished pool of businesses, services or products available for acquisition or investment, which in turn may adversely affect ALQ's business and results of operations.

***Limitations on ALQ's access to capital could impair its liquidity and its ability to conduct its business***

Liquidity, or ready access to funds, is essential to investment companies. Failures of investment companies have often been attributable in large part to insufficient liquidity. ALQ's liquidity could be impaired due to circumstances that it may be unable to control, such as a general market disruption. Further, ALQ's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

***Strategic investments or acquisitions and joint ventures may result in additional risks and uncertainties in its business***

ALQ may grow its business through strategic investments, acquisitions or joint ventures. When it makes strategic investments or acquisitions or enters into joint ventures, ALQ expects to face numerous risks and uncertainties in combining or integrating the relevant businesses and systems. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of ALQ's common stock, which may dilute shareholders' interests in ALQ.

Although ALQ will perform diligence on any businesses it purchases or makes an investment in, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. ALQ may not be able to ascertain the value or understand the potential liabilities of the acquired businesses and their operations until it assumes operating control of the assets and operations of these businesses or an investment is made.

In addition, expansion, acquisitions or joint ventures may require significant managerial attention, which may be diverted from ALQ's other operations. If ALQ is unsuccessful in overcoming these risks, its business, financial condition or results of operations could be materially and adversely affected.

**Risks Relating to the Marijuana Industry**

***The fact that Marijuana is Illegal in Most Jurisdictions May Affect the Trading of ALQ Shares***

ALQ’s business may involve the distribution of securities of an entity that is expected to indirectly derive a portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. Vulcan is indirectly involved (through licensing of its brand name “Ignite by Bilzerian” for cannabis products and related merchandise) in the cannabis industry in the United States where local state law permits such activities. Canada has regulated medical use and commercial activity involving cannabis and recently released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use, with a target implementation date of no later than July 1, 2018. Currently, ALQ is not directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is ALQ directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in the United States or Canada.

Almost half of the U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, may be in violation of federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, involvement in cannabis businesses in the United States is subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business of ALQ in the United States. As such, there are a number of risks associated with ALQ's existing and future business in the United States.

For the reasons set forth above, ALQ's existing business in the United States cannabis market, and future business, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to ALQ, it would have a material adverse effect on the ability of holders of ALQ Shares to make trades. In particular, the ALQ Shares would become highly illiquid as investors would have no ability to effect a trade of the ALQ Shares through the facilities of a stock exchange.

***Marijuana Remains Illegal Under Federal Law***

Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in Canada and the United States. The Government of Canada does not endorse the use of marijuana, but the courts have required reasonable access to a legal source of marijuana when authorized by a healthcare practitioner. As a result, should the courts approach toward marijuana change or should legislation be implemented to restrict its use, this would have a material adverse impact on the ability of ALQ to invest in companies in the cannabis sector and enter into sub-licensing agreements with third parties for the branding of cannabis products, which in turn, would have a material adverse impact on the business, financial condition and operating results of ALQ.

Because marijuana is illegal under U.S. and Canadian federal laws, investing in cannabis business could be found to violate the CDA and the CDSA. As a result, individuals involved with cannabis business, including but not limited to investors and lenders, may be indicted under U.S. and Canadian federal law. Your investment in ALQ, and the investment by ALQ in companies in the cannabis business, may: (a) expose you personally to criminal liability under U.S. and Canadian federal law, resulting in monetary fines and jail time; and (b)

expose any real and personal property used in connection with ALQ's business to seizure and forfeiture to the U.S. and Canadian federal government. Active enforcement of the current federal law on cannabis may thus directly and adversely affect revenues and profits of ALQ. The risk of strict enforcement of the CDA and the CDSA remains uncertain.

***Risks Relating to Other Laws and Regulations***

The industry in which ALQ operates could subject ALQ to comply with a myriad of other federal, state, provincial and local laws and regulations, which could include, among others, laws and regulations relating to cannabis, personally identifiable information, wage and hour restrictions, health and safety matters, consumer protection and environmental matters. ALQ's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. ALQ cannot predict the time required to secure all appropriate regulatory approvals for its products. Compliance with such laws and regulations may be costly and a failure to comply with such laws and regulations could result in fines, penalties, litigation and other liability that could materially adversely affect ALQ.

ALQ's business and products is and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Further, ALQ cannot predict what kind of regulatory requirements its business will be subject to in the future. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of ALQ.

Furthermore, although the operations of ALQ are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail ALQ's ability to conduct its business. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical marijuana, or more stringent implementation thereof could have a substantial adverse impact on ALQ. Local, state, provincial and federal laws and enforcement policies concerning marijuana-related conduct are changing rapidly and will continue to do so for the foreseeable future. Changes in applicable law are unpredictable and could have a material adverse effect on ALQ. Changes in applicable laws or regulations could significantly diminish ALQ's prospects. ALQ has little or no control over potential changes to laws or regulations that may affect its business.

Additionally, governmental regulations affect taxes and levies, healthcare costs, energy usage and labor issues, all of which may have a direct or indirect effect on ALQ's business and its customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for ALQ, or its customers or suppliers, or restrict ALQ's actions, causing ALQ to be materially adversely affected.

***Nevada Regulatory Risks***

In Nevada, all marijuana establishments must register with DOT and be issued a medical marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from DOT and include a renewal form. The renewal periods serve as an update for DOT on the licensee's status toward active licensure. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from DOT may an entity engage in cannabis business operation. There is no assurance that Tahoe will be issued final registration certificates in respect of its provisional licenses.

***Anti-Money Laundering Laws and Regulations***

ALQ will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Banks often refuse to provide banking services to businesses involved in the marijuana industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the marijuana industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

The FinCEN guidance provides instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN guidance states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance relating to the prosecution of money laundering offenses predicated on cannabis- related violations of the CSA. While the FinCEN guidance has not been rescinded by the Department of Justice at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the Department of Justice continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the Department of Justice's current enforcement

priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the Department of Justice's enforcement priorities could result in the Department of Justice prosecuting banks and financial institutions for crimes that previously were not prosecuted.

In the event that any of ALQ's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, in the event that a determination was made that ALQ's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, ALQ may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time).

***Change in Laws, Regulations and Guidelines***

ALQ's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

On October 19, 2015, the Liberal Party of Canada obtained a majority government in Canada. The Liberal Party has committed to the legalization of recreational cannabis in Canada. On June 30, 2016, the Canadian Federal Government established the Task Force on Cannabis Legalization and Regulation to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. The Task Force has completed its review and published a report dated December 13, 2016, which outlines its recommendations. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister announced that the Canadian Federal Government intends to legalize cannabis in the summer of 2018. A previous reports stated a July 1, 2018 deadline and it is unknown exactly when these regulatory changes will be implemented.

The Task Force had several recommendations for the *Cannabis Act* (Canada) including, permitting home cultivation, restrictions on advertising and branding, and potentially easing access for individuals to enter into the Canadian recreational cannabis market. The Task Force's advice will be taken into account by the Government of Canada as it builds the framework for recreational cannabis. These recommendations could materially and adversely affect the business, financial condition and results of ALQ.
On August 11, 2016, Health Canada announced the new ACMPR which came into force on August 24, 2016, replacing the MMPR as the regulations governing Canada's medical cannabis program. The ACMPR was implemented as a result of the Federal Court ruling in the Allard Decision. In the Allard Decision, the Federal Court found the MMPR to be unconstitutional and of no force and effect, but suspended its declaration of invalidity for six months in order to give the government time to respond.

As per Health Canada's statement and corresponding fact sheet released on August 11, 2016, the ACMPR allows Canadians who have been authorized by their health care practitioner, and who are registered with Health Canada, to produce a limited amount of medical marijuana for their own medical purposes, or to designate someone who is registered with Health Canada to produce it for them. Starting materials such as plants or seeds are to be obtained from Licensed Producers only. Individuals will also continue to have the option to purchase quality controlled medical marijuana from Licensed Producers. It is possible that such developments could significantly reduce the addressable market for ALQ's products and materially and adversely affect the business, financial condition and results of operations of ALQ.

The Canadian Federal Government's Task Force sought input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. The Task Force has completed its review in a report dated November 30, 2016 which outlines their 25 recommendations. Their advice will be considered by the Government of Canada as a new framework for recreational marijuana is developed. It is possible that such developments could significantly adversely affect the business, financial condition and results of operations of ALQ.

On October 3, 2017, the Government's Parliamentary Standing Committee on Health (HESA) proposed amendments to the *Cannabis Act* (Canada) that edibles containing cannabis and its extracts would be added to the classes of cannabis an authorized person may sell. HESA's report also suggested that a framework for sale of edibles and cannabis concentrates would be implemented within one year from the enactment of the *Cannabis Act* (Canada). HESA's proposed amendments were incorporated Bill C-45, which was passed by the House of Commons on November 27, 2017 and the Senate on June 20, 2018.

On November 10, 2017, the National Department of Finance issued regulatory proposals and legislation for the taxation of cannabis. The effect would be that the cannabis producers would be placed in the existing rules that currently apply an excise duties on tobacco, wine and spirits producers under the *Excise Tax Act* (Canada). There will be a new tax licensing category for cannabis producers where excise duties payable by licensed cannabis producers on both recreational and medical cannabis products in addition to GST/HST under the *Excise Tax Act* (Canada). There would also be rules in place for stamping and marking rules and ongoing reporting requirements. The framework for the cannabis excise duty is proposed to generally be in effect by the date that legal recreational cannabis becomes available for retail sale under the proposed *Cannabis Act* (Canada).

The final regulations to the proposed *Cannabis Act* (Canada) have not yet been published, and is not yet in force. There can be no assurance that the legalization of recreational cannabis by the Government of Canada will occur on the terms in the proposed *Cannabis Act* (Canada) or that it will be enacted at all, and the legislative framework pertaining to the Canadian recreational cannabis market still remains uncertain. If the federal government were to change its approach to the legalization of Cannabis or delay the implementation of the proposed legislation, this would have a material adverse impact on the business, financial condition and operating results of ALQ.

***Risks Relating to the Licensing Process***

The medical marijuana rules are constantly changing throughout the global cannabis industry. As a result, consumers and producer rights are in limbo. The future business partnerships and licensee agreements that ALQ may make may be subject to receiving regulatory certification or accreditation through Health Canada, US Laws, or any other applicable regulatory authority. Such licensing, certification or accreditation may include, but not be limited to: licenses issued under the *Controlled Drugs and Substances Act*, the Narcotic Control Regulations, GMP Certification and ISO certification. Licensing requirements are stringent and there can be no guarantee that the regulatory authorities will issue, extend or renew any license. Failure to maintain a license or any failure to comply with the requirements of a license would have a material adverse impact on the business, financial condition and operating results of ALQ and could lead to a significant decline in the value of its securities.

***Risk Factors Related to the United States***

Unlike in Canada which has federal legislation and a framework regarding the cultivation, distribution, sale and possession of medical cannabis under the ACMPR. In the U.S. cannabis remains a Schedule I substance under the U *Controlled Substance Act* ("**CSA**"). Therefore, while numerous states and the District of Columbia has passed laws permitting possession and use of marijuana for medical or recreational purposes, it remains illegal on the federal level and individuals and businesses engaged in the marijuana industry have ongoing risk of prosecution for felony crimes under federal laws.

While in August 2013, as a result of the conflicting views between state and federal government regarding cannabis, then Deputy Attorney General, James Cole, authored a memorandum (the Cole Memorandum) addressed to all U.S. district attorneys. outlining certain priorities for the U.S. Department of Justice (DOJ) relating to the prosecution of cannabis offenses, on January 4, 2018, a memorandum from U.S. Attorney General Jeff Sessions was issued to U.S. District Attorneys, effectively rescinding previous guidance from the DOJ specific to cannabis enforcement in the U.S., including the Cole Memorandum. U.S. federal prosecutors no longer have guidance relating to the exercise of their discretion on prosecuting cannabis related violations of U.S. federal law. Following this decision, the Canadian Securities Administrators issued a statement on February 8, 2018, that Canadian public companies with U.S. Marijuana Related Activities are required additional disclosures. These disclosures and additional expectations that apply to all issuers with U.S. marijuana-related activities, including those with direct and indirect involvement in the cultivation and distribution of marijuana, as well as issuers that provide goods and services to third parties involved in the U.S. marijuana industry. Issuers are expected to provide these disclosures in prospectus filings and other required documents, such as their Annual Information Form and Management's Discussion and Analysis.

With the Cole Memorandum rescinded, U.S. federal prosecutors no longer have guidance relating to the exercise of their discretion in determining whether to prosecute cannabis related violations of U.S. federal law. It is possible that further developments could significantly adversely affect the business, financial condition and results of businesses involved in U.S. marijuana- related activities and in the cannabis industry generally. Such

potential proceedings could involve significant restrictions being imposed upon the Corporation or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on ALQ's business, revenues, operating results and financial condition as well as ALQ's reputation, even if such proceedings were concluded successfully in favor of ALQ.

The U.S. Congress passed appropriations bills for the last 3 years which have not appropriated funds to the DOJ for prosecution of cannabis offenses for individuals who are in compliance with state level medical cannabis laws. Most recently, Congress extended the prohibition to September 2018. This prohibition is, however, subject to ongoing extension/approval by Congress and could be rescinded. Courts have interpreted these appropriations bills to the effectively to prevent the federal government from prosecuting individuals when those individuals comply with state law. This conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute under the CSA, any individual or business, (despite fully complying with state laws) could be prosecuted for violations of federal law. If Congress ever restores funding, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations. Further, the prohibition on the use of funds relates soley to medical marijuana state laws and does not prevent the DOJ from spending funds to prosecute individuals and businesses operating under state recreational marijuana laws.

There are currently 29 States and the District of Columbia which have laws broadly legalizing marijuana in some form or another. Nine of which, have adopted expansive laws legalizing marijuana for recreational use (Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia). Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the U.S.

Violations of any federal regulations and laws could result in administrative sanctions, penalties, fines, criminal charges and convictions which may result in diminished profit, cessation of business activities or divestiture losses. These violations can also have a material adverse effect on ALQ, including its brand, reputation and ability to conduct business, financial position, ability to raise additional capital, operating results, profitability or liquidity. It is difficult for ALQ to estimate the resources and time needed for the investigation of any such matters or its final resolution.

ALQ’s business in the U.S. will currently be limited to the licensing of ALQ brands and the personality of Dan Bilzerian for products in the cannabis industry. In order to become a licensee or sub-licensee, the licensee entity must provide ALQ with the licenses it has been granted by the State regulatory authorities which permit it to carry on the sale of cannabis products. On a go-forward basis, the licensee entity is also required to maintain the licenses in good standing or ALQ shall have the right to cancel the licensing arrangement. On this basis, management is of the view that the Company's business interests in the United States adhere to the principles of the Cole Memorandum.

***Service Providers***

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to ALQ could suspend or withdraw their services, which may have a material adverse effect on ALQ's business, revenues, operating results, financial condition or prospects.

***Unfavourable Publicity or Consumer Perception***

Management of ALQ believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of ALQ's proposed products may 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 favourable 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 favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for ALQ's proposed products and the business, results of operations, financial condition and cash flows of ALQ. ALQ'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 ALQ, the demand for ALQ's proposed products, and the business, results of operations, financial condition and cash flows of ALQ. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or ALQ's proposed 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 appropriately or as directed.

***Liability, Enforcement Complaints etc.***

ALQ's participation in the marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, state, or local governmental authorities. Litigation, complaints, and enforcement actions could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on ALQ's future cash flows, earnings, results of operations and financial condition.

***ALQ's contracts may be unenforceable***

As the CSA and the CDSA currently prohibit the production, processing and use of marijuana, contracts with third parties (customers, suppliers, vendors, landlords, etc.) pertaining to the production, processing, or selling of marijuana-related products, including any leases for

real property, may be unenforceable. In addition, if the U.S. and Canadian federal governments begin strict enforcement of the CSA and the CDSA, any property (personal or real) used in connection with a marijuana-related business may be seized by and forfeited to the federal government. In this case, ALQ's inability to enforce contracts, including its sub-licensing contracts, or any loss of business property (whether ALQ's or its vendors') will have a material adverse effect on ALQ.

***ALQ may not be able to obtain or maintain a bank account***

Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the CSA and the CDSA, most banks and other financial institutions are unwilling to provide banking services to marijuana businesses due to concerns about criminal liability under the CSA and the CDSA as well as concerns related to federal money laundering rules in Canada and the United States. Though guidelines issued in past years allow financial institutions to provide bank accounts to certain cannabis businesses, few banks have taken advantage of those guidelines and many cannabis businesses still operate on an all-cash basis. Operating on an all-cash or predominantly-cash basis would make it difficult for ALQ to manage its business, pay its employees and pay its taxes, and may create serious safety issues for ALQ, its employees and its service providers. Although ALQ currently has several bank accounts, its inability to maintain that bank accounts, or obtain and maintain other bank accounts, could have a material adverse effect.

***The marijuana industry faces significant opposition***

It is believed by many that large well-funded businesses may have strong economic opposition to the marijuana industry. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana industry. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry could have a material adverse effect on ALQ.

***The protections of bankruptcy law may be unavailable***

As discussed above, the use of marijuana is illegal under federal law. Therefore, it may be argued that the federal bankruptcy courts cannot provide relief for parties who engage in marijuana or marijuana-related businesses. Recent bankruptcy court rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity. In addition, some courts have reasoned that courts cannot ask a bankruptcy trustee to take possession of and distribute marijuana assets as such action would violate the CDSA. Therefore, ALQ may not be able to seek the protection of the bankruptcy courts for the equal protection of creditors or debtor-in-possession financing or obtain credit from federal-charted financial institutions.

**Other Business and Operating Risks**

***Limited Operating History***

While ALQ has yet to generate any significant revenue. ALQ is therefore subject to many of the risks common to early-stage enterprises operating in a competitive industry, including

under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that ALQ will be successful in achieving its anticipated investment objectives or operate profitably. ALQ's business must be considered in light of the risks, expenses, and problems frequently encountered by companies in their early stages of development. Specifically, such risks may include, among others:

- ALQ's inability to fund operations from unpredictable cash flows;
- ALQ's failure to anticipate and adapt to developing markets;
- ALQ's inability to attract, retain and motivate qualified personnel; and
- ALQ's failure to operate profitably in a competitive industry.

There can be no assurance that ALQ will be successful in addressing these risks. To the extent it is unsuccessful in addressing these risks, ALQ and the Issuer may be materially and adversely affected. There can be no assurance that ALQ or the Issuer will ever achieve or sustain profitability.

***History of Losses***

ALQ has incurred losses in recent periods and ALQ may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, ALQ expects to continue to increase operating expenses as it implements initiatives to continue to grow its new business. If ALQ's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

***Reliance on Management***

ALQ's success substantially depends on the skills, talents, abilities and services of the Investment Committee and ALQ's executive management team. Should one or more of these individuals become incapacitated, leave the employment of ALQ or in some other way cease to participate sufficiently in the management and operation of ALQ and ALQ's inability to attract and retain qualified management personnel, could affect our ability to manage our business and could materially adversely affect our business, financial condition, cash flows, and results of operations. ALQ's financial position, liquidity and results of operations depend on the executive management team's ability to execute its business strategy. Management's inability or failure to execute any element of ALQ's business strategy could materially adversely affect ALQ's financial position and results of operation.

***Operational Risks***

ALQ will be affected by a number of operational risks and it may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, ALQ's assets, personal injury or death, environmental damage, adverse impacts on ALQ's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an

adverse impact on ALQ's future cash flows, earnings and financial condition. Also, ALQ may be subject to or affected by liability or sustain loss for certain risks and hazards against which ALQ cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on ALQ's future cash flows, earnings, results of operations and financial condition.

***Risks Relating to Intellectual Property and Licensing Agreement***

If the New License Agreement with Vulcan is not consummated or terminated for any reason it may have a material adverse effect on our business strategy and our results of operations may suffer. The New License Agreement is expected to provide ALQ with the exclusive rights name, approved photographs, approved images, voice and approved likenesses of Dan Bilzerian exclusively within the cannabis industry worldwide. Failure to complete the New Licensing Agreement, failure to adhere to the terms of the New License Agreement, or an early termination or cancellation of the New License Agreement for any reason, would have a material adverse effect on ALQ's ability to execute its business strategy and its results of operations and financial condition may be materially adversely affected.

ALQ relies heavily on key personnel and this future success depends on having the key people on board. In the unlikely event of a dramatic change in condition to Dan Bilzerian and his personal brand (popularity, health, illness, incarceration, death, dismemberment) this would have a material adverse effect on our ability to execute our business strategy and our results of operations and financial condition may be materially adversely affected. ALQ does not have key personnel insurance, nor does it expect to obtain such insurance in the near future. The loss of the services of such key personnel may have a material adverse effect on ALQ's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations of ALQ are likely to be of central importance. In addition, there can be no assurance that ALQ will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

***ALQ may have a difficult time obtaining insurance which may expose ALQ to additional risk and financial liabilities***

Insurance that is otherwise readily available, such as workers compensation, general liability, and directors and officers insurance, is more difficult for ALQ to find, and more expensive, because it is in the cannabis industry. There are no guarantees that ALQ will be able to find such insurance in the future, or that the cost will be affordable. If ALQ is forced to go without such insurance, it may prevent ALQ from entering into certain business sectors, may inhibit its growth, may expose ALQ to additional risk and financial liabilities and could have a material adverse effect.

***ALQ's websites are accessible in jurisdictions where medicinal or recreational use of marijuana is not permitted and, as a result ALQ may be found to be violating the laws of those jurisdictions***

ALQ's websites, which advertise its products for use in connection with marijuana, are visible in jurisdictions where the medical and recreational use of marijuana is unlawful. As a result, ALQ may face legal action brought against it by such jurisdictions for engaging in an activity illegal in that jurisdiction. Such an action could have a material adverse effect.

***Currency Fluctuations***

Due to ALQ's operations in the United States, and its intention to continue future operations outside Canada, ALQ may be exposed to significant currency fluctuations. All or substantially all of ALQ's financings will be raised in Canadian dollars, but a substantial portion of ALQ's operating expenses are incurred in US dollars. There is no expectation that ALQ will put any currency hedging arrangements in place. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on ALQ's business, financial condition and operating results. ALQ may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if ALQ develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

***Risks Associated with Acquisitions***

As part of its overall business strategy, ALQ may pursue select strategic acquisitions after the completion of the Change of Business, which would provide additional product offerings, vertical integrations, additional industry expertise and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

***ALQ Will Be an Entrant Engaging in a New Industry***

The medical marijuana industry is fairly new. There can be no assurance that an active and liquid market for shares of ALQ will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that ALQ will be successful in the long term.

***Dependence on Suppliers and Skilled Labour***

The ability of ALQ to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that he Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of ALQ.

***Difficulty to Forecast***

ALQ must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of ALQ.

***Failure to Manage Growth Effectively***

The rapid execution necessary for ALQ to successfully implement its business strategy requires an effective planning and management process. ALQ anticipates significant growth and will be required to continually improve its financial and management controls, reporting systems and procedures on a timely basis, and to expand, train and manage its personnel. There can be no assurance that ALQ's procedures or controls will be adequate to support operations. If ALQ is unable to manage growth effectively, it could suffer a material adverse effect.

***Internal Controls***

Effective internal controls are necessary for ALQ to provide reliable financial reports and to help prevent fraud. Although ALQ will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on ALQ under Canadian securities law, ALQ cannot be certain that such measures will ensure that ALQ will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm ALQ's results of operations or cause it to fail to meet its reporting obligations. If ALQ or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in ALQ's consolidated financial statements and materially adversely affect the trading price of the ALQ Shares.

***Liquidity***

ALQ cannot predict at what prices the ALQ Shares will trade upon completion of the Change of Business. Following the Change of Business, the price of the ALQ Shares may fluctuate significantly due to the market's reaction to the Change of Business and general market and economic conditions. An active trading market for the ALQ Shares following the Change of Business may never develop or, if developed, it may not be sustained. Final approval of the CSE has not yet been obtained and cannot be guaranteed. There is a significant liquidity risk associated with an investment in ALQ. There can be no assurance that an active and liquid market for the ALQ Shares will be maintained and an investor may find it difficult to resell any securities of ALQ.

***Additional Financing***

ALQ's ability to implement its business plan will depend on its ability to obtain additional financing. ALQ cannot provide assurance that it will be able to secure additional financing on terms favorable to the Issuer or at all. If adequate funds are not available on acceptable terms, ALQ's ability to continue and grow its businesses would be dependent on the cash

flow, if any, from its operations, which may not be sufficient. If additional funds are raised through the issuance of shares, the percentage ownership of then-current shareholders may be reduced, such holders may experience additional dilution and such new securities may have rights, preferences or privileges senior to those of ALQ's previously issued shares.

***Litigation***

ALQ may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which ALQ becomes involved be determined against ALQ, such a decision could adversely affect ALQ's ability to continue operating and the market price for ALQ Shares and could use significant resources. Even if ALQ is involved in litigation and wins, litigation can redirect significant resources.

***Asset Location and Legal Proceedings***

Many of ALQ's assets and investments will be located outside of Canada and many of its officers and directors will be resident outside of Canada and their assets are outside of Canada. Serving process on the directors and officers may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against ALQ, its subsidiaries and any directors and officers residing outside of Canada.

***Legislative or Regulatory Reform***

ALQ's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Due to matters beyond the control of ALQ, these laws, regulations, guidelines and policies may cause adverse effects to its operations.

The commercial medical marijuana industry is a new industry and ALQ anticipates that such regulations will be subject to change as the Federal Government monitors licensed producers in action.

***Competition***

ALQ has numerous competitors throughout Canada and the United States utilizing a substantially similar business model. Excessive competition may impact sales and may cause ALQ to reduce prices of its products. Any material reduction in prices could have a material adverse effect on ALQ. ALQ will be operating in a highly competitive industry where it may compete with numerous other companies in the marijuana industry, who may have far greater resources, more experience, and personnel perhaps more qualified than it does. There can be no assurance that ALQ will be able to successfully compete against these other entities. To remain competitive, ALQ will require a continued high level of investment in research and development, marketing, sales and client support. ALQ 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 ALQ's business, financial condition and results of operations.

The legal cannabis industry is relatively new and it is highly competitive and regulated and is evolving at a fast pace. New risks may emerge to the new industry and ALQ may not be able to predict all risks or be able to predict the outcome of certain events will affect the actual results of statements contained in any forward-looking statements. ALQ may incur reoccurring costs and obligations related to regulatory compliance in jurisdictions which it operates. Failure to comply with these regulations may result in penalties, restrictions of operations and potentially additional costs for corrective measures. There are additional risks to: regulations changes, more vigorous enforcement or other unanticipated events could require increased compliance costs, or extensive changes to operations, which may give rise to material liabilities, which could have a material adverse effect on ALQ and its business.

Because of the early stage of the industry in which ALQ operates, it expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada and the United States increases, the demand for products will increase and ALQ expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, ALQ will require a continued high level of investment in research and development, marketing, sales and client support. ALQ 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 its business, financial condition and results of operations.

***External Factors***

ALQ's business strategy includes investment in the cannabis industry. The success of this strategy is subject to numerous external factors, such as ALQ's ability to attract, train and retain qualified personnel, the ability to access capital, the ability to obtain required permits and licenses, the prevailing laws and regulatory environment of each jurisdiction in which ALQ may operate, which are subject to change at any time, the degree of competition within the industries and markets in which ALQ operates and its effect on ALQ's ability to retain existing and attract new customers. Some of these factors are beyond ALQ's control.

***Changes in Industry Standards***

The industry in which ALQ operates could be subject to rapid changes, including, among others, changes in consumer requirements and preferences. There can be no assurance that the demand for any products or services offered by ALQ will continue, or that the mix of ALQ's future product and service offerings will satisfy evolving consumer preferences. The success of ALQ will be dependent upon its ability to develop, introduce and market products and services that respond to such changes in a timely fashion. Consumer preferences change from time to time and can be affected by a number of different and unexpected trends. ALQ's failure to anticipate, identify or react quickly to these changes and trends, and to introduce new and improved products on a timely basis, could result in reduced demand for ALQ's products, which would in turn cause ALQ's revenues and profitability to suffer.

***Dependence on Technology***

ALQ relies on information technology systems. All of these systems are dependent upon computer and telecommunications equipment, software systems and Internet access. The temporary or permanent loss of any component of these systems through hardware failures, software errors, the vulnerability of the Internet, operating malfunctions or otherwise could interrupt ALQ's business operations and materially adversely affect ALQ.

***Risk Related to Capital Markets***

ALQ plans to finance anticipated ongoing expenses and capital requirements with funds generated from the following sources: cash provided by operating activities; available cash and cash investments; and capital raised through debt and equity offerings. ALQ may require additional capital to finance its operations in the future and market conditions might not be conducive towards raising capital and could be dilutive to existing shareholders. ALQ's ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside its control, and on its financial performance. Accordingly, ALQ cannot assure shareholders that it will be able to successfully raise additional capital at all or on terms that are acceptable to it. If ALQ cannot raise additional capital when needed, it may have a material adverse effect on its liquidity, financial condition, results of operations and prospects.

If ALQ raises capital by issuing debt securities, such debt securities would rank senior to its common shares upon its bankruptcy or liquidation. In addition, ALQ may raise capital by issuing equity securities that may be senior to its common shares for the purposes of dividend and liquidating distributions, which may adversely affect the market price of its common shares. Finally, upon bankruptcy or liquidation, holders of its debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of ALQ's available assets prior to the common shareholders. Additional equity offerings may dilute the holdings of existing shareholders or reduce the market price of the ALQ Shares, or both.

The market price of our common stock has been and is likely in the future to be volatile. ALQ's Shares may fluctuate in response to factors such as: Halting of trading by the CSE, SEC or FINRA, Announcements by us regarding liquidity, legal proceedings, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments, loan, note payable and agreement defaults, loss of our subsidiaries and impairment of assets, Issuance of convertible or equity securities for general or merger and acquisition purposes, Issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes, Sale of a significant number of shares of our by shareholders, General market and economic conditions, Quarterly variations in our operating results, Investor relation activities, Announcements of technological innovations, New product introductions by us or our competitors, Competitive activities, and Additions or departures of key personnel.

These broad market and industry factors may have a material adverse effect on the market price of ALQ's shares, regardless of our actual operating performance. These factors could have a material adverse effect on its business, financial condition, and/or results of operations.

## 18. PROMOTERS

### 18.1 – 18.3 – Promoter Consideration

ALQ is not aware of any person who could be characterized as a promoter of ALQ within the two years immediately preceding the date of this Listing Statement.

ALQ is not a party to any written or oral agreement or understanding with any Person to provide any promotional or investor relations services for ALQ.

## 19. LEGAL PROCEEDINGS

### 19.1 Legal Proceedings

ALQ or its subsidiary was not previously a party to, or the subject of, any legal proceeding nor is currently party to any material legal proceeding or contemplating any legal proceedings which are material to its business. From time to time, however, ALQ and its subsidiary may be subject to various claims and legal actions arising in the ordinary course of business. Management of ALQ and its subsidiary are not currently aware of any legal proceedings contemplated against either ALQ or its subsidiary.

### 19.2 Regulatory Actions

ALQ is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, and ALQ has not entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to ALQ's securities or would be likely to be considered important to a reasonable investor making an investment decision.

## 20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as otherwise disclosed herein, no proposed director or executive officer of ALQ or any Person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10% of any class of ALQ's outstanding voting securities, or an Associate or Affiliate of any Persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any transaction, that has materially affected or will materially affect ALQ or a subsidiary of ALQ.

## 21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

### 21.1 Auditors

The auditors of ALQ are Davidson & Company LLP, Chartered Professional Accountants at its office located at 1200 – 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, British Columbia, V7Y 1G6.

### 21.2 Transfer Agent and Registrar

The transfer agent and registrar of ALQ is Computershare Investor Services Inc. at its office located at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

## 22. MATERIAL CONTRACTS

### 22.1 Material Contracts

The following are a summary of the material contracts, other than contracts entered into in the ordinary course of business, entered into by ALQ during the course of the two years prior to the date of the Listing Statement, as well as those ALQ intends to enter in connection with the Change of Business:

(a) Tahoe Note (see *Item 3.1 – General Development of the Business – ALQ*);

(b) Subscription Agreement with Salvation (see *Item 3.1 – General Development of the Business*);

(c) the Prior License Agreement and the New License Agreement (see *Item 3.1 – General Development of the Business*);

(d) the Investment Agreement (see *Item 3.1 – General Development of the Business*);

(e) the Convertible Note (see *Item 3.1 – General Development of the Business*);

(f) the Share Exchange Agreement (see *Item 3.1 – General Development of the Business*); and

(g) the Escrow Agreement (see *Item 11 – Escrow*).

### 22.2 Special Agreements

This section is not applicable to ALQ.

## 23. INTEREST OF EXPERTS

No Person or corporation whose profession or business gives authority to a statement made by the Person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of ALQ, or of an Associate or Affiliate of ALQ, and no such Person is expected to be elected, appointed or employed as a director, senior officer or employee of ALQ, or of an Associate or Affiliate of ALQ and no such Person is a promoter of ALQ, or an Associate or Affiliate of ALQ.

Davidson & Company LLP, Chartered Professional Accountants, is independent of ALQ in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia.

## 24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about ALQ or its respective securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to ALQ and its respective securities.

## 25. FINANCIAL STATEMENTS

Schedule A contains the audited financial statements of ALQ, including the auditor's report thereon, for the years ended February 28 or 29, as the case may be, 2018, 2017 and 2016, as well as unaudited interim financial statements for the three months ended May 31, 2018.

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, ALQ Gold Corp. hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to ALQ Gold Corp. 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.

Dated at Vancouver, British Columbia this 20th day of August, 2018.

*"Morgan Good"*
Morgan Good
Chief Executive Officer and Director

*"Ming Jang"*
Ming Jang
Chief Financial Officer and Director

**ON BEHALF OF THE BOARD OF DIRECTORS**

*"Brandon Boddy"*
Brandon Boddy
Director

**SCHEDULE A**
**FINANCIAL STATEMENTS OF**
**ALQ GOLD CORP.**
(*See attached*)

ALQ GOLD

CORPORATION

# CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED FEBRUARY 28, 2018
# (Expressed in Canadian Dollars)

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ALQ Gold Corp.

We have audited the accompanying consolidated financial statement of ALQ Gold Corp., which comprise the consolidated statement of financial position as at February 28, 2018 and the consolidated statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' (deficiency) equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of ALQ Gold Corp. as at February 28, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Other Matters***

The financial statements of ALQ Gold Corp. for the year ended February 28, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 19, 2017.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Professional Accountants

July 6, 2018

**ALQ GOLD CORPORATION**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

| | February 28, 2018 | February 28, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 15,220,447 | $ 16,552 |
| Receivables | 92,573 | 12,800 |
| Reclamation bond | - | 30,000 |
| Marketable securities (Note 5) | - | 385,000 |
| Advance | 210,661 | - |
| Prepaid expenses | 200,826 | 2,098 |
| **Total current assets** | 15,724,507 | 446,450 |
| **Non-current** | | |
| Investment (Note 6) | 1,500,000 | - |
| Promissory note (Note 7) | 1,782,480 | - |
| Equipment (Note 8) | - | 3,103 |
| **Total assets** | $ 19,006,987 | $ 449,553 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Trade payables and accrued liabilities | $ 1,204,356 | $ 310,561 |
| Obligation to issue shares (Note 10) | 921,681 | - |
| Subscriptions received in advance (Note 10) | 1,617,273 | - |
| **Total liabilities** | 3,743,310 | 310,561 |
| **Shareholders' equity** | | |
| Share capital (Note 10) | 33,047,273 | 17,204,394 |
| Subscriptions receivable (Note 10) | (315,950) | - |
| Reserves (Note 10) | 839,253 | 699,341 |
| Deficit | (18,306,899) | (17,764,743) |
| **Total shareholders' equity** | 15,263,677 | 138,992 |
| **Total liabilities and shareholders' equity** | $ 19,006,987 | $ 449,553 |

Nature of operations and going concern (Note 1)
Basis of presentation (Note 2)
Subsequent event (Note 16)

*"Morgan Good"* Director *"Ming Jang"* Director

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

**ALQ GOLD CORPORATION**
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED FEBRUARY 28

| | 2018 | 2017 |
|---|---|---|
| **EXPENSES** | | |
| Advertising and promotion | $ 108,376 | $ - |
| Depreciation (Note 8) | 582 | 2,326 |
| Insurance | 5,807 | 6,277 |
| Management and consulting fees | 189,436 | 52,504 |
| Office costs | 16,911 | 36,691 |
| Professional fees | 248,652 | 66,496 |
| Regulatory and transfer agent fees | 43,868 | 37,737 |
| Rent | 1,500 | 6,000 |
| Travel | 52,871 | - |
| **Total operating expenses** | (668,003) | (208,031) |
| Gain on sale of Lustdust property (Note 9) | - | 490,000 |
| Interest income | 43,839 | 378 |
| General exploration | (1,000) | (1,000) |
| Interest expense | (442) | (377) |
| Foreign exchange | 30,971 | - |
| Loss on disposal of assets | (2,521) | - |
| Gain (loss) on fair value of marketable securities (Note 5) | 55,000 | (55,000) |
| | 125,847 | 434,001 |
| **Income (loss) and comprehensive income (loss) for the year** | $ (542,156) | $ 225,970 |
| **Income (loss) per common share, basic and diluted** | $ (0.02) | $ 0.04 |
| **Weighted average number of common shares outstanding** | | |
| **Basic** | 28,629,215 | 5,518,670 |
| **Diluted** | 28,629,215 | 5,571,829 |

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

**ALQ GOLD CORPORATION**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED FEBRUARY 28

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) for the year | $ (542,156) | $ 225,970 |
| Items not involving cash: | | |
| Gain on sale of Lustdust property | - | (490,000) |
| Depreciation | 582 | 2,328 |
| Loss on disposal of assets | 2,521 | - |
| Accrued interest receivable | (53,265) | - |
| Unrealized (gain) loss on fair value of marketable securities | (55,000) | 55,000 |
| | (647,318) | (206,704) |
| **Changes in non-cash working capital items:** | | |
| Receivables | (79,773) | (4,945) |
| Prepaid expenses | (198,728) | (2,098) |
| Advance | (210,661) | - |
| Trade payables and accrued liabilities | 393,795 | 112,321 |
| **Net cash used in operating activities** | (742,685) | (101,426) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Promissory Note | (1,729,215) | - |
| Proceeds on sale of Lustdust property | - | 50,000 |
| Reclamation bond | 30,000 | - |
| Investment | (1,000,000) | - |
| Net cash provided by (used in) investing activities | (2,699,215) | 50,000 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from share issuance, net of share issuance costs | 16,106,841 | - |
| Subscriptions received in advance | 1,617,273 | - |
| Obligation to issue shares | 921,681 | - |
| Net cash provided by financing activities | 18,645,795 | - |
| **Change in cash for the year** | 15,203,895 | (51,426) |
| **Cash, beginning of year** | 16,552 | 67,978 |
| **Cash, end of year** | $ 15,220,447 | $ 16,552 |
| Cash paid during the year for interest | $ - | $ - |
| Cash paid during the year for income taxes | $ - | $ - |

Supplemental cash flow information (Note 11)

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

**ALQ GOLD CORPORATION**
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017

| | Number of shares | Share capital | Subscriptions receivable | Reserves | Deficit | Total |
|---|---|---|---|---|---|---|
| Balance at February 28, 2016 | 5,518,670 | $ 17,204,394 | $ - | $ 699,341 | $ (17,990,713) | $ (86,978) |
| Income for the year | - | - | - | - | 225,970 | 225,970 |
| Balance at February 28, 2017 | 5,518,670 | 17,204,394 | - | 699,341 | (17,764,743) | 138,992 |
| Issued for cash | 74,530,788 | 17,468,525 | (315,950) | - | - | 17,152,575 |
| Share issuance costs | 413,000 | (1,208,780) | - | 163,046 | - | (1,045,734) |
| Return of capital | - | (440,000) | - | - | - | (440,000) |
| Loss for the year | - | - | - | - | (542,156) | (542,156) |
| Balance at February 28, 2018 | 80,462,458 | $ 33,024,139 | $ (315,950) | $ 862,387 | $ (18,306,899) | $ 15,263,677 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

ALQ Gold Corporation ("ALQ" or the "Company") is a publicly traded company currently listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "ALQ". The Company's shares had previously traded on the TSX Venture Exchange ("TSX-V") under the trading symbol "ALQ" up until September 19, 2016. On September 20, 2016, the Company voluntarily delisted from TSX-V and listed its common shares on the CSE, under the same trading symbol. The Company's head office is located at 202 – 5626 Larch Street, Vancouver, BC. and is a reporting issuer in British Columbia, Alberta and Ontario.

Prior to a change of business, the Company had been primarily engaged in the acquisition an exploration of mineral properties located in Canada. On August 28, 2017, trading in the Company's shares was halted as the Company made an application to the CSE of its intention to change its business focus from being a mineral resource exploration company to an investment company. As an investment company, the Company will be seeking investment opportunities in the global cannabis sector. It is not the Company's intention to be directly involved in the growing or distribution of cannabis related products, but rather to make strategic investments in several companies that would be actively engaged in such businesses.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity financing or through the sale of its investments at amounts favorable to the Company. Management estimates there is sufficient working capital as at February 28, 2018 to continue current operations for the next twelve months. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance and basis of measurement

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company for the year ended February 28, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on June 28, 2018.

### b) Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiary.

## 2. BASIS OF PRESENTATION (continued):

### c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

| Name of Subsidiary | *Place of Incorporation* | *Proportion of Ownership Interest* | *Principal Activity* |
|---|---|---|---|
| ALQ Investments LLP | State of Nevada | 100% | Dormant |

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

### a) Cash

Cash includes cash on hand and deposits held with financial institutions.

### b) Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

| **Asset or Liability** | **Category** | **Measurement** |
|---|---|---|
| Cash | FVTPL | Fair value |
| Receivables | Loans and receivables | Amortized cost |
| Marketable securities | FVTPL | Fair value |
| Investment | FVTPL | Fair value |
| Promissory note | Loans and receivables | Amortized cost |
| Trade payables and accrued liabilities | Other liabilities | Amortized cost |

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### b) Financial instruments (continued):

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs. The Company's investment is measure at fair value using Level 3 inputs.

### c) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### d) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, common share, options and warrants, and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares, common share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

### e) Investments

All investments at fair value are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit or loss. The Company has met the requirements of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") to designate investments at fair value through profit and loss as the investments at fair value constitute a group of financial assets which is managed and its performance is evaluated on a fair value basis. Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss are presented in profit or loss in the period in which they arise.

The determination of fair value requires judgment based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below. Such valuation changes are reflected in the financial statements. A fair value hierarchy is summarized in Note 9 that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments.

All investments in private companies, which includes shares, are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting date, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation inputs included in Level 3 as discussed in below.

The determinations of fair value of the Company's investments in private companies at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available or, if available, that information may be limited and/or unreliable.

For private company securities not traded in an active market, all investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting date, an assessment for indicators of impairment are performed, and the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- A discounted cash flow analysis or other valuation models

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### f) Earnings (loss) per common share

Basic earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year-end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

### g) Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

### h) Impairment of long-lives assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### i) New standards, interpretations and amendments

No new standards or interpretations were adopted during the year.

**New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect a significant impact from adoption of the above standards.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

*Critical judgments*

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued):

*Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

i. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

   Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

   The Company has not recorded any deferred tax assets.

ii. Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company's results of operations and equity reserves.

iii. The Company recognizes its investment at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable market data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

## 5. MARKETABLE SECURITIES

During the year ended February 28, 2017, the Company received 5,500,000 common shares of Lorraine Copper Corp. ("LLC") as partial proceeds on sale of the Lustdust Property (Note 9).

On April 17, 2017, the Company distributed 5,500,000 shares of LLC as a return of capital to the shareholders of the Company.

| | # | $ |
|---|---|---|
| Balance as at February 28, 2016 | - | - |
| Acquisition of LLC shares | 5,500,000 | 440,000 |
| Fair value adjustment | - | (55,000) |
| Balance as at February 28, 2017 | 5,500,000 | 385,000 |
| Fair value adjustment – April 17, 2017 | - | 55,000 |
| Return of capital, April 17, 2017 | (5,500,000) | (440,000) |
| Balance as at February 28, 2018 | - | - |

## 6. INVESTMENT

During the year ended February 28, 2018, the Company entered into an agreement to acquire 3,000,000 units of Salvation Botanical Ltd. ("Salvation") at a price of $0.50 per unit for a total cost of $1,500,000 pursuant to a subscription agreement between ALQ and Salvation (the "Subscription Agreement"). Each unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months. As at February 28, 2018, $500,000 is owed to Salvation as consideration for 1,000,000 units received included in trade payables and accrued liabilities.

Salvation is a private company based in Nanaimo, BC. The company is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

## 7. PROMISSORY NOTE

On August 23, 2017, the Company entered into a Letter of Agreement (the "Letter") with Tahoe Hydroponics Company LLC ("Tahoe") a US based cannabis cultivation company based in Carson City, Nevada. The terms of the Letter with Tahoe, initially required that:

(i) the Company will loan an aggregate of US$3,000,000 to Tahoe prior to October 15, 2017;
(ii) the Company will have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and
(iii) the Company will then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing.

## 7. PROMISSORY NOTE (continued):

As at February 28, 2018, the Company had advanced a total of US$1,350,000 to Tahoe. Subsequent to the year ended February 28, Tahoe and the Company terminated the Letter and replaced it with a promissory note evidencing the advance of US$1.35 million from the Company to Tahoe with a 6% annual interest rate (the "Tahoe Note"). As at February 28, 2018, the promissory note included $53,265 in interest receivable. In connection with signing of the promissory note subsequent to February 28, 2018, the Company granted a total of 500,000 common shares to a facilitating agent.

## 8. EQUIPMENT

| | Computer Equipment | Furniture and fixtures | Machinery and Equipment | Vehicles | Totals |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, February 29, 2016 | $ 8,878 | $ 17,282 | $ 23,742 | $ 54,939 | $ 104,841 |
| Additions / Disposals | - | - | - | - | - |
| Balance, February 28, 2017 | 8,878 | 17,282 | 23,742 | 54,939 | 104,841 |
| Additions / Disposals | (8,878) | (17,282) | (23,742) | (54,939) | (104,841) |
| Balance, February 28, 2018 | $ - | $ - | $ - | $ - | $ - |
| **Depreciation** | | | | | |
| Balance, February 29, 2016 | $ 8,565 | $ 17,125 | $ 21,475 | $ 52,247 | $ 99,412 |
| Depreciation for the year | 135 | 68 | 972 | 1,151 | 2,326 |
| Balance, February 28, 2017 | 8,700 | 17,193 | 22,447 | 53,398 | 101,738 |
| Depreciation for the period | 34 | 17 | 242 | 289 | 582 |
| Write-off of equipment | (8,734) | (17,210) | (22,689) | (53,687) | (102,320) |
| Balance, February 28, 2018 | $ - | $ - | $ - | $ - | $ - |
| **Carrying Amounts** | | | | | |
| At February 28, 2017 | $ 178 | $ 89 | $ 1,295 | $ 1,541 | $ 3,103 |
| At February 28, 2018 | $ - | $ - | $ - | $ - | $ - |

## 9. MINERAL PROPERTIES

| | 2018 | 2017 |
|---|---|---|
| Lustdust Claims | | |
| Acquisition costs | $ - | $ 1 |
| Disposal | | (1) |
| Fair value adjustment | $ - | $ - |

During the year ended February 28, 2017, the Company sold the Lustdust Property to Lorraine Copper Corp ("LLC") whereby LLC acquired a 100% interest in the Lustdust Property by:

- Issuing 5,500,000 common shares of LLC (received);
- Paying of $50,000 (received);
- Incurring $100,000 in exploration expenditure on the Lustdust Property (incurred);

As a result of the sale, the Company recorded a $490,000 gain during the year ended February 28, 2017.

## 10. SHARE CAPITAL AND RESERVES

Authorized capital stock: unlimited number of common shares without par value.

During the year end February 28, 2018, the Company issued common shares as follows:

a) 24,578,170 common shares were issued at $0.0375 per common share, by way of a non-brokered private placement, for gross proceeds of $921,681.

b) 25,936,818 common shares were issued at $0.175 per common share, by way of a non-brokered private placement, for gross proceeds of $4,538,944.

c) 24,015,800 Units were issued at $0.50 per Unit, by way of a non-brokered private placement, for gross proceeds of $12,007,900. Each Unit comprises one common share and one share purchase warrant with each whole warrant exercisable into a common share for $1.25 for a period of twelve months.

The Company incurred cash costs of $1,045,734, issued 413,000 common shares to finders valued at $43,989, and issued 2,279,956 finder warrants valued at $139,912. The finder's warrants were calculated using a Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1.37 years, dividend yield of 0%, expected volatility of 105.63% and a risk free interest rate of 1.31%.

As at February 28, 2018, a total of $315,950 in subscriptions was receivable for shares issued. Subsequent to February 28, 2018, the full $315,950 was collected.

During the year end February 28, 2018, the Company received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at February 28, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

During the year ended February 28, 2018, the Company also received $1,617,273 in cash for private placements which were oversubscribed. The Company will return the funds received to subscribers for the amounts collected for which shares will not be issued.

On April 17, 2017, the Company completed a return of capital to shareholders of record on January 25, 2017 for the 5,500,000 shares or Lorraine Copper Corp. originally received as consideration for the Lustdust Property (Note 9).

## 10. SHARE CAPITAL AND RESERVES (continued):

### Stock Option Plan

The Company has established a fixed share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, consultants or service providers to the Company. Under the plan the Company is authorized to grant stock options of up to ten percent (10%) of the number of common shares issued and outstanding. Options granted under the plan may have a maximum term of ten years. The exercise price of an option may not be less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

### Stock Options

There were no stock options were granted during the years ended February 28, 2018 and 2017.

Stock option transactions and the number of stock options outstanding are summarized below:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Balance, February 28, 2016 and 2017** | 625,000 | $ 0.06 |
| Cancelled | (425,000) | $ 0.06 |
| **Balance, February 28, 2018** | 200,000 | $ 0.06 |

Stock options outstanding at February 28, 2018 are as follows:

| Date of Expiry | Number of Options Outstanding | Number of Options Exercisable | Exercise Price | Weighted Average Remaining Life (years) |
|---|---|---|---|---|
| February 24, 2019 | 200,000 | 200,000 | $ 0.06 | 1.0 |

### Warrants

Common share purchase warrant transactions and the number of common shares purchase warrants outstanding are summarized below:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Balance, February 28, 2016 and 2017** | - | $ - |
| Granted | 14,287,856 | $ 1.20 |
| **Balance, February 28, 2018** | 14,287,856 | $ 1.20 |

## 10. CAPITAL STOCK (continued):

As of February 28, 2018, the Company had outstanding warrants as follows:

| Date of Expiry | Number | Exercise Price | Weighted Average Remaining Life (years) |
|---|---|---|---|
| October 31, 2019 | 382,256 | $ 0.215 | 1.67 |
| November 24, 2019 | 301,070 | $ 0.215 | 1.74 |
| February 8, 2019 | 5,267,100 | $ 1.250 | 0.95 |
| February 14, 2019 | 1,261,400 | $ 1.250 | 0.96 |
| February 16, 2019 | 7,076,030 | $ 1.250 | 0.97 |
| | 2,279,956 | $ 0.94 | 1.19 |

## 11. SUPPLEMENTAL CASH FLOW IMPORATION

During the year ended February 28, 2018, the Company had the following non-cash transactions:

- Distribution of marketable securities as a return of capital to shareholders $ 440,000
- Investment in Tahoe included in trade payables and accrued liabilities $ 500,000
- Fair value of finders warrants issued $ 139,912

During the year ended February 28, 2017, the Company had the following non-cash transactions:

- Fair value of marketable securities received for sale of Lustdust Property $ 440,000

## 12. FINANCIAL RISK FACTORS

The fair value of the Company's receivables, advance, trade payables and accrued liabilities, approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's receivables primarily consist of input tax credits receivable from the Government of Canada. The Company is exposed to credit risk on its promissory note due from Tahoe.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2018, the Company had a cash balance of $15,220,447 to settle current liabilities of $3,743,310. The Company does not believe it is exposed to any significant liquidity risk as at February 28, 2018.

## 12. FINANCIAL RISK FACTORS (continued):

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and, commodity and equity prices.

a) Interest rate risk

The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of February 28, 2018, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

c) Foreign currency risk

The Company is exposed to foreign currency risk on its promissory note from Tahoe (Note 7) which is denominated in US dollars. A 10% fluctuation in the foreign exchange rate would have a $190,000 impact on profit and loss.

## 13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of its investments. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to search for new business opportunities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it feels there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended February 28, 2018. The Company is not subject to externally imposed capital requirements.

## 14. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

| | Year ended February 28, 2018 | 2017 |
|---|---|---|
| Short-term benefits* | $ 141,501 | $ 86,004 |
| Directors' fees | 2,000 | 2,500 |
| Totals | $ 143,501 | $ 88,504 |

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in management and consulting fees, and professional fees.

During the year ended February 28, 2018, the Company incurred $1,500 (2017 - $6,000) for office rental expense to a director and officer of the Company.

As at February 28, 2018, $40 (2017 - $274,403) was included in accounts payable and accrued liabilities for fees owed to related parties.

## 15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | **2018** | **2017** |
|---|---|---|
| Income (loss) for the year | $ (542,156) | $ 225,970 |
| | $ | |
| Expected income tax (recovery) | (142,000) | $ 59,000 |
| Change in statutory, exchange rates, and other | (87,000) | 7,000 |
| Permanent differences | (5,000) | - |
| Share issue costs | (285,000) | - |
| Change in unrecognized deductible temporary differences | $ 519,000 | $ (66,000) |
| Total income tax expense (recovery) | $ - | $ - |
| Current income tax | $ - | $ - |
| Deferred tax recovery | $ - | $ - |

## 15. INCOME TAXES (continued):

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been re-measured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

| | 2018 | Expiry date range | 2017 |
|---|---|---|---|
| **Temporary Differences** | | | |
| Non-capital losses | $ 3,936,000 | 2026-2038 | $ 3,128,000 |
| Exploration and evaluation assets | 4,023,000 | No expiry | 4,515,000 |
| Property and equipment | 373,000 | No expiry | 370,000 |
| Share issue costs | 872,000 | 2039-2043 | 1,000 |
| Allowable capital losses | - | No expiry | 6,000 |
| Tax credits | - | No expiry | 6,000 |
| | $ 9,024,000 | | $ 8,026,000 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## 16. SUBSEQUENT EVENT

Subsequent to the year ended February 28, 2018:

- the Company granted an aggregate of 2,000,000 stock options to the directors of the Company and a consultant. The options, having an exercise price of $0.50, are fully vested and expire April 30, 2023;

- the Company entered into a Letter of Agreement ("Letter Agreement") with a third party that owns certain intellectual property rights and brand names intended for use in the cannabis industry. The Letter Agreement outlines a variety of potential transactions between the parties, including licensing and direct investment opportunities.

  In connection with the Letter Agreement, the Company provided a $5,000,000 loan and the third party issued an unsecured convertible promissory note ("Convertible Note"). The Convertible Note matures 24 months following the date of issuance and bears interest at 8% per annum. The Convertible Note is convertible into up to 3,333 common shares, or 3.3%, of the third party.

# Financial Statements
## Years Ended February 28, 2017 and February 29, 2016

## (Expressed in Canadian Dollars)

**Index** **Page**

Smythe
CPA

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF ALQ GOLD CORP.

We have audited the accompanying financial statements of ALQ Gold Corp., which comprise the statements of financial position as at February 28, 2017 and February 28, 2016 and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and 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.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

We believe that the audit evidence we have obtained in our audits 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 ALQ Gold Corp. as at February 28, 2017 and February 29, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



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*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 19, 2017



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**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Income and Comprehensive Income**
**Expressed in Canadian dollars**

| | Note | Years Ended February 28, 2017 | Years Ended February 29, 2016 |
|---|---|---|---|
| **Operating Expenses** | | | |
| Consulting and management fees | | $ 52,504 | $ 52,504 |
| Depreciation | 8 | 2,326 | 2,328 |
| Insurance | | 6,277 | 6,287 |
| Office, printing and miscellaneous | | 36,492 | 36,331 |
| Professional fees | | 66,496 | 35,046 |
| Regulatory fees and transfer fees | | 37,737 | 15,407 |
| Rent | 10 | 6,000 | 6,000 |
| Share-based payments | 9(e), 10 | - | 2,882 |
| Shareholder relations | | 199 | 179 |
| **Total Operating Expenses** | | **208,031** | **156,964** |
| **Other Items** | | | |
| Gain on sale of Lustdust Property | 5, 6 | 490,000 | - |
| Interest income | | 378 | 919 |
| General exploration | | (1,000) | - |
| Sundry income | | - | 1,645 |
| Interest expenses, bank charges and foreign exchange | | (377) | (120) |
| Unrealized loss on fair value of marketable securities | 5 | (55,000) | - |
| **Net Income (Loss) and Comprehensive Income (Loss) for the Year** | | **$ 225,970** | **$ (154,520)** |
| Earnings/(loss) per share - basic and diluted | | $ 0.041 | $ (0.028) |
| Weighted average number of common shares outstanding | | | |
| Basic | | 5,518,670 | 5,518,670 |
| Effect of dilutive stock options | | 53,159 | - |
| Diluted | | 5,571,829 | 5,518,670 |

**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Financial Position**
**Expressed in Canadian dollars**

| | Note | | February 28, 2017 | | February 29, 2016 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | 14 | $ | 16,552 | $ | 67,978 |
| Receivables | | | 12,800 | | 7,855 |
| Reclamation bond | 7 | | 30,000 | | - |
| Marketable securities | 5, 15 | | 385,000 | | - |
| Prepaid and deposits | | | 2,098 | | - |
| | | | **446,450** | | **75,833** |
| **Non-current** | | | | | |
| Mineral properties | 6 | | - | | 1 |
| Reclamation bond | 7 | | - | | 30,000 |
| Equipment | 8 | | 3,103 | | 5,429 |
| | | | **3,103** | | **35,430** |
| **Total Assets** | | **$** | **449,553** | **$** | **111,263** |
| **Liabilities** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | 10 | $ | 310,561 | $ | 198,241 |
| | | | **310,561** | | **198,241** |
| **Shareholders' Equity (Deficit)** | | | | | |
| Share capital | 9 | | 17,204,394 | | 17,204,394 |
| Share-based payments reserve | | | 699,341 | | 699,341 |
| Deficit | | | (17,764,743) | | (17,990,713) |
| **Total Shareholders' Equity (Deficit)** | | | **138,992** | | **(86,978)** |
| **Total Liabilities and Shareholders' Equity (Deficit)** | | **$** | **449,553** | **$** | **111,263** |

**Approved on behalf of the Board**

*"Carl Pines"*
Carl Pines
Director

*"Neil F. Hummel"*
Neil F. Hummel
Director

**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Changes in Shareholders' Equity**
**Expressed in Canadian dollars**

| | Share Capital | | Share-based | | Total |
|---|---|---|---|---|---|
| | Shares | Amount | Payments Reserve | Deficit | Equity |
| **Balance as at February 28, 2015** | **5,518,670** | **$ 17,204,394** | **$ 696,459** | **$ (17,836,193)** | **$ 64,660** |
| Share-based payments | - | - | 2,882 | - | 2,882 |
| Loss for the year | - | - | - | (154,520) | (154,520) |
| **Balance as at February 29, 2016** | **5,518,670** | **17,204,394** | **699,341** | **(17,990,713)** | **(86,978)** |
| Income for the year | - | - | - | 225,970 | 225,970 |
| **Balance as at February 28, 2017** | **5,518,670** | **$ 17,204,394** | **$ 699,341** | **$ (17,764,743)** | **$ 138,992** |

**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Cash Flows**
**Expressed in Canadian dollars**

| | Years Ended | |
|---|---|---|
| **Cash provided by (used for):** | **February 28, 2017** | **February 29, 2016** |
| **Operating Activities** | | |
| Net income (loss) for the year | $ 225,970 | $ (154,520) |
| Items not involving cash: | | |
| Gain on sale of Lustdust property | (490,000) | - |
| Depreciation | 2,326 | 2,328 |
| Unrealized loss on fair value of marketable securities | 55,000 | - |
| Share-based payments | - | 2,882 |
| | (206,704) | (149,310) |
| Changes in non-cash working capital | | |
| Receivables | (4,945) | (1,982) |
| Prepaid and deposits | (2,098) | - |
| Accounts payable and accrued liabilities | 112,321 | 101,719 |
| | 105,278 | 99,737 |
| **Cash Used in Operating Activities** | **(101,426)** | **(49,573)** |
| **Investing Activity** | | |
| Proceeds on sale of Lustdust property | 50,000 | - |
| **Cash Provided by Investing Activity** | **50,000** | **-** |
| **Decrease in Cash During the Year** | **(51,426)** | **(49,573)** |
| **Cash and Cash Equivalents, Beginning of the Year** | 67,978 | 117,551 |
| **Cash and Cash Equivalents, End of the Year** | $ **16,552** | $ **67,978** |

Supplemental cash flow information - Note 12

## 1. Nature of Operations and Going Concern

ALQ Gold Corp. (the "Company") was incorporated under the laws of British Columbia, Canada, on February 25, 1985. The Company is primarily engaged in the acquisition, exploration and development of mineral properties located in Canada.

The Company's corporate office and principal place of business is 410 Donald Street, Coquitlam, British Columbia, Canada V3K 3Z8.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 28, 2017, the Company had working capital of $135,889 (2016 – working capital deficit $122,408) (note 15). Accounts payable to directors and officers as at February 28, 2017 is $274,403. The directors and officers are making efforts to make funds available for operations. As the Company chooses to proceed on exploration and development of properties it may acquire, it will need to raise additional funds for those expenditures. These circumstances comprise material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they fall due, and accordingly, the ability of the Company to continue as a going concern.

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors, including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance its future activities through private placements and the exercise of options and warrants, and is actively seeking additional equity financing. There can be no assurance that such financing will be available to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. Basis of Preparation

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value.

The financial statements were approved and authorized for issue by the Board of Directors on June 19, 2017.

The Company's functional and presentation currency is the Canadian dollar.

## 3. Summary of Significant Accounting Policies

### (a) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future reporting periods could be significant.

Estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

*The determination of, and provision for, reclamation and remediation obligations*

The Company assesses its provision for asset retirement obligations at each reporting date or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

*Deferred taxes*

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable income against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

## 3. Summary of Significant Accounting Policies, continued

### (a) Significant Accounting Estimates and Judgments, continued

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

### (b) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, term deposits, and investments with maturities of three months or less from the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

### (c) Mineral Properties

All expenditures related to the acquisition, exploration and evaluation of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

## 3. Summary of Significant Accounting Policies, continued

### (c) Mineral Properties, continued

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

### (d) Reclamation Bond

The Company's reclamation bond is recorded at amortized cost and held by Canadian government agencies, in trust or a cashable term deposit.

### (e) Share Capital

*Equity units*

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

*Flow-through shares*

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

Any difference between the amount recognized in common shares and proceeds received is deemed equal to an estimated premium investors pay for the flow-through feature and is initially recorded as a liability.

The amount recorded as a liability relating to the sale of tax benefits is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on the date of renouncement is recognized in profit or loss. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation.

### (f) Non-monetary Consideration

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

## 3. Summary of Significant Accounting Policies, continued

### (g) Share-based Payments

Share-based payments for employees are measured at the fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from share-based payment reserve to share capital.

### (h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused losses carried forward, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (i) Earnings/(loss) per Share

Basic earnings/(loss) per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings/(loss) per share is computed similar to basic earnings/(loss) per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted earnings/(loss) per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

## 3. Summary of Significant Accounting Policies, continued

### (j) Financial Instruments

*Fair value*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments, which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Fair value through profit or loss*

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

*Available-for-sale*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment losses.

*Impairment of financial assets*

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

## 3. Summary of Significant Accounting Policies, continued

### (j) Financial Instruments, continued

*Financial liabilities*

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

### (k) Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment, and recognized in profit or loss.

Depreciation is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 30%.

### (l) Mining Exploration Tax Credit

The federal and provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accounts for these credits as a reduction of exploration and evaluation expenditures in the period that the credits are received. These credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period that the tax filings are amended.

### (m) Accounting Standards Issued but not yet Effective

The following accounting standards are issued but not yet effective. The Company has not early-adopted these revised standards and expects no significant effect on the Company's financial statements when adopted.

## 3. Summary of Significant Accounting Policies, continued

### (m) Accounting Standards Issued but not yet Effective, continued

**IFRS 9 *Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. The main features introduced by this new standard compared with predecessor IFRS are as follows: classification and measurement of financial assets, classification and measurement of financial liabilities, Impairment of financial assets and hedge accounting.

The standard is effective for annual periods beginning on or after January 1, 2018.

**IFRS 16 *Leases***

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

The standard is effective for annual periods beginning on or after January 1, 2019.

## 4. Financial Instruments

### (a) Categories of Financial Instruments

The Company's financial instruments include cash and cash equivalents, marketable securities, reclamation bond, and accounts payable and accrued liabilities.

The Company has classified its financial instruments into the following categories:

| Financial Instrument | Category | Carrying Value |
|---|---|---|
| Cash and cash equivalents | FVTPL | Fair Value |
| Marketable Securities | FVTPL | Fair Value |
| Reclamation bonds | Loans and Receivables | Amortized Cost |
| Accounts payable and accrued liabilities | Other Financial Liabilities | Amortized Cost |

### (b) Fair Value

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and its carrying value approximates fair value.

## 4. Financial Instruments, continued

### (c) Financial Risk Management

The Company's risk exposure and the impact on its financial instruments are summarized as follows:

#### (i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities and through management of its capital structure. The Company's financial liabilities of $310,561 as at February 28, 2017 have contractual maturities of less than 90 days (2016 - $198,241).

As at February 28, 2017, the Company's cash balance of $16,552 would not be sufficient to meet its liabilities and the cash requirements for the Company's administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

#### (ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

As at February 28, 2017, the Company had no amounts receivable or payable in foreign currencies, and accordingly, is not exposed to currency risk.

#### (iii) Interest Rate Risk

In respect of the Company's financial assets, interest rate risk mainly arises from the interest rate impact on cash and cash equivalents and reclamation bond. As at February 28, 2017, the Company's exposure is immaterial.

#### (iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash position, which is held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers rated R1/A2/P2 or higher. All investments must be less than one year in duration.

## 4. Financial Instruments, continued

### (c) Financial Risk Management, continued

#### (v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. As the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities. Except for the risk related to exposure to the change in market value of marketable securities, the Company is not exposed to significant other price risk.

## 5. Marketable Securities

The Company received 5,500,000 common shares of Lorraine Copper Corp. ("LLC") as partial proceeds on sale of the Lustdust Property (note 15).

| | | February 28, 2017 |
|---|---|---|
| | # | $ |
| Acquisition of LLC shares | 5,500,000 | 440,000 |
| Fair value adjustment | - | (55,000) |
| Balance as at February 28, 2017 | 5,500,000 | 385,000 |

## 6. Mineral Properties

| | 2017 | 2016 |
|---|---|---|
| Lustdust Claims | | |
| Acquisition costs | $ 1 | $ 1 |
| Disposal | (1) | - |
| | $ - | $ 1 |

*Koster Dam Project*

On June 28, 2016, the Company entered into an option and joint venture agreement with Cariboo Rose Resources Ltd. ("CRR") to earn up to a 100% interest in the Koster Dam Property. In order to earn a 50% legal and beneficial interest in the Koster Dam Project (the "50% Interest"), ALQ must incur at least $110,495 of expenditures on the property on or before June 28, 2017 (the "Option Period").

## 6. Mineral Properties, continued

***Koster Dam Project*, continued**

If ALQ earns the 50% Interest then ALQ will also have the option to acquire a further 50% legal and beneficial interest in the Koster Dam Project (for a total legal and beneficial interest of 100%) (the "Additional Interest") by paying CRR a cash payment of $400,000 on or before the end of the Option Period.

If ALQ exercises the 50% Interest but does not exercise the Additional Interest then ALQ and CRR will enter into a joint venture with respect to the Koster Dam Project. If either ALQ or CRR dilute to an interest equal to 10% or less then such party's interest will automatically convert to a 1% net smelter return royalty.

Subsequent to February 28, 2017, the Company determined it will not be in a position to incur the required expenditures, and accordingly, has determined it will relinquish all of its interests in the property.

*Lustdust Claims*

In August 2016, the shareholders of the Company approved the sale of Lustdust Property to LLC whereby LLC will acquire a 100% interest in the Lustdust Property by:

- Issuing 5,500,000 LLC common shares to the Company;
- Paying $50,000 on closing of the agreement to the Company; and
- Incurring $100,000 in exploration expenditures on the Lustdust Property over a 12-month period from the date of closing.

In September 2016, the sale of the Lustdust Property was completed. The required cash payment of $50,000 was received from LLC at closing.

In October 2016, the Company received 5,500,000 LLC shares (note 5) as part of the above acquisition. Post-acquisition, the Company holds 16.9% of the issued and outstanding common shares of LLC.

## 7. Reclamation Bond

As at February 28, 2017, the Company has placed a reclamation bond for $30,000 (2016 - $30,000) with the British Columbia Ministry of Energy and Mines. The cashable term deposit is for one year without interest and is automatically renewed annually. Subsequent to February 28, 2017 the reclamation bond was released to the Company.

## 8. Equipment

| | Computer equipment | Furniture and fixtures | Machinery and equipment | Trucks | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, February 28, 2015 | $ 8,878 | $ 17,282 | $ 23,742 | $ 54,939 | $ 104,841 |
| Additions/Disposals | - | - | - | - | - |
| Balance, February 29, 2016 | 8,878 | 17,282 | 23,742 | 54,939 | 104,841 |
| Additions/Disposals | - | - | - | - | - |
| Balance, February 28, 2017 | $ 8,878 | $ 17,282 | $ 23,742 | $ 54,939 | $ 104,841 |
| **Depreciation** | | | | | |
| Balance, February 28, 2015 | $ 8,430 | $ 17,057 | $ 20,503 | $ 51,094 | $ 97,084 |
| Depreciation for the year | 135 | 68 | 972 | 1,153 | 2,328 |
| Balance, February 29, 2016 | 8,565 | 17,125 | 21,475 | 52,247 | 99,412 |
| Depreciation for the year | 135 | 68 | 972 | 1,151 | 2,326 |
| Balance, February 28, 2017 | $ 8,700 | $ 17,193 | $ 22,447 | $ 53,398 | $ 101,738 |
| **Carrying Amount** | | | | | |
| As at February 29, 2016 | $ 313 | $ 157 | $ 2,267 | $ 2,692 | $ 5,429 |
| As at February 28, 2017 | $ 178 | $ 89 | $ 1,295 | $ 1,541 | $ 3,103 |

## 9. Share Capital

### (a) Authorized

The authorized capital of the Company is an unlimited number of common shares without par value.

### (b) Share Issuances

There were no share issuances during the years ended February 28, 2017 and February 29, 2016.

### (c) Share Purchase Warrants

Warrant transactions for the respective years are summarized as follows:

There were no warrants outstanding or issued during the years ended February 28, 2017 and February 29, 2016.

## 9. Share Capital, continued

### (d) Stock Options

The Company has established a fixed share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, consultants or service providers to the Company. The maximum aggregate number of plan shares that may be reserved for issuance under the plan at any point in time is 944,734 shares, less any common shares reserved for issuance under share options granted under share compensation arrangements other than the plan, unless the plan is amended pursuant to the requirements of the TSX Venture Exchange policies at the award date. Options granted under the plan may have a maximum term of ten years. The exercise price of an option may not be less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

A summary of the Company's options outstanding at February 28, 2017 and February 29, 2016, are as follows:

| Exercise Price | Expiry Date | Balance February 29, 2016 | Granted | Cancelled or Expired | Balance February 28, 2017 |
|---|---|---|---|---|---|
| $ 0.06 | February 24, 2019 | 625,000 | - | - | 625,000 |
| Outstanding | | 625,000 | - | - | 625,000 |
| Weighted average exercise price | | $ 0.06 | | | $ 0.06 |
| Weighted average contractual life remaining in years | | 2.99 | | | 1.99 |
| Exercisable | | 625,000 | | | 625,000 |

| Exercise Price | Expiry Date | Balance February 28, 2015 | Granted | Cancelled or Expired | Balance February 29, 2016 |
|---|---|---|---|---|---|
| $ 1.00 | July 23, 2015 | 75,000 | - | 75,000 | - |
| $ 0.06 | February 24, 2019 | 625,000 | - | - | 625,000 |
| Outstanding | | 700,000 | - | 75,000 | 625,000 |
| Weighted average exercise price | | $ 0.16 | | $ 1.00 | $ 0.06 |
| Weighted average contractual life remaining in years | | 3.61 | | | 2.99 |
| Exercisable | | 633,750 | | | 625,000 |

## 9. Share Capital, continued

### (e) Share-based Payments

During the years ended February 28, 2017 and February 29, 2016, the Company did not grant any stock options. During the year ended February 29, 2016, the Company expensed $2,882 for stock options vested from the 2014 option grant.

### (f) Earnings/(loss) per share

At February 28, 2017, there were nil (2016 – 625,000) stock options that were not taken into account in the calculation of dilutive earnings/(loss) per share because their effect was anti-dilutive.

## 10. Related Party Transactions

During the year ended February 28, 2017, the Company incurred $6,000 (2016 - $6,000) for office rental expense to a director and an officer of the Company.

As of February 28, 2017, accounts payable included $10,000 (2016 - $7,500) payable to directors for directors' fees, $157,512 (2016 - $105,007) to a director and an officer of the Company for management and administration services and $106,891 (2016 - $62,791) to a director and officer for financial and operating services. The amounts are without interest or stated terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee benefits or post-employment benefits. Compensation awarded to key management during the years ended February 28, 2017 and February 29, 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Short-term employee benefits | $ 86,004 | $ 86,004 |
| Directors' fees | 2,500 | 2,500 |
| Share-based payments | - | 2,882 |
| Total | $ 88,504 | $ 91,386 |

## 11. Capital Management

The Company includes equity, comprising issued common shares, share-based payment reserve and deficit in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

## 11. Capital Management, continued

The property in which the Company currently has an interest is in the exploration stage, and as such, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended February 28, 2017. The Company is not subject to externally imposed capital requirements.

## 12. Segmented Information

The Company operates in one segment primarily directed towards the acquisition, exploration and ultimate development of gold and other precious metals with regard to mineral properties held in British Columbia, Canada.

## 13. Income Taxes

A reconciliation of the income tax expense computed at statutory rates to the reported loss before taxes is as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Income tax benefit at statutory rate of 26.0% | $ | 58,752 | $ | (40,175) |
| Items not deductible for tax purposes | | 7,150 | | 749 |
| Unused (used) tax losses and tax offsets not recognized | | (65,902) | | 39,426 |
| Defered income tax recovery | $ | - | $ | - |

## 13. Income Taxes, continued

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

| | 2017 | 2016 |
|---|---|---|
| Non-capital loss carry-forwards | $ 3,127,998 | $ 2,920,673 |
| Resource properties | 4,514,774 | 4,514,772 |
| Equipment | 370,340 | 368,012 |
| Share issue cost | 614 | 1,230 |
| Capital losses | 6,124 | 6,124 |
| Non-refundable tax credits | 6,181 | 6,181 |
| | $ 8,026,031 | $ 7,816,992 |

The Company's non-capital losses expire as follows:

| | |
|---|---|
| 2026 | $ 168,427 |
| 2027 | 216,928 |
| 2028 | 406,203 |
| 2029 | 273,021 |
| 2030 | 381,157 |
| 2031 | 448,430 |
| 2032 | 321,079 |
| 2033 | 209,110 |
| 2034 | 181,640 |
| 2035 | 164,755 |
| 2036 | 149,923 |
| 2037 | 207,325 |
| | $ 3,127,998 |

## 14. Supplemental Cash Flow Information

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash and cash equivalents is comprised of: | | | | |
| Cash | $ | 16,552 | $ | 5,702 |
| Guaranteed investment certificate | | - | | 62,276 |
| Total cash and cash equivalents | $ | 16,552 | $ | 67,978 |
| Cash Items | | | | |
| Interest received | $ | 378 | $ | 1,348 |
| Non-Cash Items | | | | |
| Interest income accrued | | - | | 21 |
| Shares received for sale of Lustdust property | $ | 440,000 | $ | - |

## 15. Subsequent Event

Subsequent to February 28, 2017, the Company distributed 5,500,000 shares of LLC as a return of capital (note 5).

ALQ GOLD
CORPORATION

# Financial Statements
## Years Ended February 29, 2016 and February 28, 2015

## (Expressed in Canadian Dollars)

**Index** **Page**

Smythe CPA

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF ALQ GOLD CORP.

We have audited the accompanying financial statements of ALQ Gold Corp., which comprise the statements of financial position as at February 29, 2016 and February 28, 2015, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and 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.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

We believe that the audit evidence we have obtained in our audits 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 ALQ Gold Corp. as at February 29, 2016 and February 28, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.





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*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 28, 2016





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**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Loss and Comprehensive Loss**
**Expressed in Canadian dollars**

| | Note | Years Ended February 29, 2016 | Years Ended February 28, 2015 |
|---|---|---|---|
| **Operating Expenses** | | | |
| Communications | | $ - | $ 272 |
| Consulting and management fees | | 52,504 | 50,004 |
| Depreciation | 7 | 2,328 | 3,326 |
| Insurance | | 6,287 | 5,643 |
| Office, printing and miscellaneous | | 36,331 | 36,777 |
| Professional fees | | 35,046 | 31,351 |
| Regulatory fees and transfer fees | | 15,407 | 20,619 |
| Rent | 9 | 6,000 | 6,000 |
| Share-based payments | 8(e), 9 | 2,882 | 23,425 |
| Shareholder relations | | 179 | 215 |
| Travel and promotion | | - | 149 |
| **Total Operating Expenses** | | **156,964** | **177,781** |
| Impairment of mineral properties | 5 | - | 11,691,654 |
| Interest income | | (919) | (1,685) |
| Sundry income | | (1,645) | - |
| Interest expenses, bank charges and foreign exchange | | 120 | 125 |
| **Loss Before Tax** | | **154,520** | **11,867,875** |
| Deferred income tax recovery | 12 | - | (1,086,994) |
| **Net Loss and Comprehensive Loss for the Year** | | **$ 154,520** | **$ 10,780,881** |
| Loss per share - basic and diluted | | $ 0.028 | $ 1.954 |
| Weighted average number of common shares outstanding | | 5,518,670 | 5,518,670 |

**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Financial Position**
**Expressed in Canadian dollars**

| | Note | | February 29, 2016 | | February 28, 2015 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | 13 | $ | 67,978 | $ | 117,551 |
| Receivables | | | 7,855 | | 5,873 |
| | | | **75,833** | | **123,424** |
| **Non-current** | | | | | |
| Mineral properties | 5 | | 1 | | 1 |
| Reclamation bond | 6 | | 30,000 | | 30,000 |
| Equipment | 7 | | 5,429 | | 7,757 |
| | | | **35,430** | | **37,758** |
| **Total Assets** | | **$** | **111,263** | **$** | **161,182** |
| **Liabilities** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | 9 | $ | 198,241 | $ | 96,522 |
| | | | **198,241** | | **96,522** |
| **Shareholders' Equity (Deficit)** | | | | | |
| Share capital | 8 | | 17,204,394 | | 17,204,394 |
| Share-based payments reserve | | | 699,341 | | 696,459 |
| Deficit | | | (17,990,713) | | (17,836,193) |
| **Total Shareholders' Equity (Deficit)** | | | **(86,978)** | | **64,660** |
| **Total Liabilities and Shareholders' Equity (Deficit)** | | **$** | **111,263** | **$** | **161,182** |

**Approved on behalf of the Board**

| *"Carl Pines"* | *"Neil F. Hummel"* |
|---|---|
| Carl Pines<br>Director | Neil F. Hummel<br>Director |

**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Changes in Shareholders' Equity (Deficit)**
**Expressed in Canadian dollars**

| | Share Capital | | Share-based | | Total |
|---|---|---|---|---|---|
| | Shares | Amount | Payments Reserve | Deficit | Equity |
| **Balance as at February 28, 2014** | **5,518,670** | **$ 17,196,444** | **$ 673,034** | **$ (7,055,312)** | **$ 10,814,166** |
| Flow-through share reversal | - | 7,950 | - | - | 7,950 |
| Share-based payments | - | - | 23,425 | - | 23,425 |
| Loss for the year | - | - | - | (10,780,881) | (10,780,881) |
| **Balance as at February 28, 2015** | **5,518,670** | **17,204,394** | **696,459** | **(17,836,193)** | **64,660** |
| Share-based payments | - | - | 2,882 | - | 2,882 |
| Loss for the year | - | - | - | (154,520) | (154,520) |
| **Balance as at February 29, 2016** | **5,518,670** | **$ 17,204,394** | **$ 699,341** | **$ (17,990,713)** | **$ (86,978)** |

**ALQ Gold Corp.**
**(Exploration Stage Company)**
**Statements of Cash Flows**
**Expressed in Canadian dollars**

| Cash provided by (used for): | | Years Ended February 29, 2016 | | Years Ended February 28, 2015 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net loss for the year | $ | (154,520) | $ | (10,780,881) |
| Items not involving cash: | | | | |
| Impairment of mineral properties | | - | | 11,691,654 |
| Depreciation | | 2,328 | | 3,326 |
| Share-based payments | | 2,882 | | 23,425 |
| Deferred income tax recovery | | - | | (1,086,994) |
| | | (149,310) | | (149,470) |
| Changes in non-cash working capital | | | | |
| Receivables | | (1,982) | | 9,057 |
| Prepaid and deposits | | - | | 5,200 |
| Accounts payable and accrued liabilities | | 101,719 | | 73,769 |
| | | 99,737 | | 88,026 |
| **Cash Used in Operating Activities** | | **(49,573)** | | **(61,444)** |
| **Investing Activity** | | | | |
| Mineral properties | | - | | (3,514) |
| **Cash Used in Investing Activity** | | **-** | | **(3,514)** |
| **Decrease in Cash During the Year** | | **(49,573)** | | **(64,958)** |
| **Cash and Cash Equivalents, Beginning of the Year** | | 117,551 | | 182,509 |
| **Cash and Cash Equivalents, End of the Year** | $ | **67,978** | $ | **117,551** |

Supplemental cash flow information - Note 13

## 1. Nature of Operations and Going Concern

ALQ Gold Corp. (the "Company") was incorporated under the laws of British Columbia, Canada, on February 25, 1985. The Company is primarily engaged in the acquisition, exploration and development of mineral properties located in Canada.

The Company's corporate office and principal place of business is 410 Donald Street, Coquitlam, British Columbia, Canada V3K 3Z8.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 29, 2016, the Company had a working capital deficit of $122,408 (February 28, 2015 – working capital $26,902). Accounts payable to directors and officers as at February 29, 2016 is $175,298. The directors and officers are making efforts to make funds available for operations. Management has agreed to accrue payments due to them and thus effective working capital is $52,890. As the Company chooses to proceed on additional exploration and development programs at the Lustdust property and other properties it may acquire, it will need to raise additional funds for those expenditures. These circumstances comprise material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they fall due, and accordingly, the ability of the Company to continue as a going concern.

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors, including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance its future activities through private placements and the exercise of options and warrants, and is actively seeking additional equity financing. There can be no assurance that such financing will be available to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

## 2. Basis of Preparation

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value.

The financial statements were approved and authorized for issue by the Board of Directors on June 28, 2016.

The Company's functional and presentation currency is the Canadian dollar.

## 3. Summary of Significant Accounting Policies

### (a) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future reporting periods could be significant.

Estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

*Impairment of long-lived assets*

The carrying value of mineral property acquisition and exploration costs is reviewed each reporting period to determine whether there is any indication of impairment. The estimation of the impairment involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, plans for properties, and the results of exploration and evaluation to date.

*The determination of, and provision for, reclamation and remediation obligations*

The Company assesses its provision for asset retirement obligations at each reporting date or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

## 3. Summary of Significant Accounting Policies, continued

### (a) Significant Accounting Estimates and Judgments, continued

*Deferred taxes*

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable income against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

*Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions, such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

### (b) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, term deposits, and investments with maturities of three months or less from the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

### (c) Mineral Properties

All expenditures related to the acquisition, exploration and evaluation of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

## 3. Summary of Significant Accounting Policies, continued

### (c) Mineral Properties, continued

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

### (d) Reclamation Bond

The Company's reclamation bond is recorded at amortized cost and held by Canadian government agencies, in trust or a cashable term deposit.

### (e) Share Capital

*Equity units*

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

## 3. Summary of Significant Accounting Policies, continued

### (e) Share Capital, continued

*Flow-through shares*

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

Any difference between the amount recognized in common shares and proceeds received is deemed equal to an estimated premium investors pay for the flow-through feature and is initially recorded as a liability.

The amount recorded as a liability relating to the sale of tax benefits is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on the date of renouncement is recognized in profit or loss. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation.

### (f) Non-monetary Consideration

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

### (g) Share-based Payments

Share-based payments for employees are measured at the fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from share-based payment reserve to share capital.

## 3. Summary of Significant Accounting Policies, continued

### (h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused losses carried forward, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (i) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

### (j) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Fair value through profit or loss*

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

## 3. Summary of Significant Accounting Policies, continued

### (j) Financial Instruments, continued

*Available-for-sale*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment losses.

*Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial liabilities*

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

## 3. Summary of Significant Accounting Policies, continued

### (k) Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment, and recognized in profit or loss.

Depreciation is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 30%.

### (l) Mining Exploration Tax Credit

The federal and provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accounts for these credits as a reduction of exploration and evaluation expenditures in the period that the credits are received. These credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period that the tax filings are amended.

### (m) Accounting Standards Issued but not yet Effective

The following accounting standards are issued but not yet effective. The Company has not early-adopted these revised standards and expects no significant effect on the Company's consolidated financial statements when adopted.

**IFRS 9 *Financial Instruments***

IFRS 9 includes requirements for recognition, measurement, and derecognition of financial instruments and hedge accounting. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 is applicable to annual periods beginning on or after January 1, 2018.

**3. Summary of Significant Accounting Policies, continued**

**(m) Accounting Standards Issued but not yet Effective, continued**

**Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)**

This standard amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11 and to disclose the information required by IFRS 3 and other IFRS for business combinations.

The amended IFRS 11 is applicable to annual periods beginning on or after January 1, 2016.

**Clarification of Acceptable Methods of Depreciation and Amortization**

This standard amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlate and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amended IAS 16 and IAS 38 are applicable to annual periods beginning on or after January 1, 2016.

**IFRS 16 *Leases***

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

The standard is effective for annual periods beginning on or after January 1, 2019.

## 4. Financial Instruments

### (a) Categories of Financial Instruments

The Company's financial instruments include cash and cash equivalents, reclamation bond, and accounts payable and accrued liabilities.

The Company has classified its financial instruments into the following categories:

| Financial Instrument | Category | Carrying Value |
|---|---|---|
| Cash and cash equivalents | FVTPL | Fair Value |
| Reclamation bonds | Loans and Receivables | Amortized Cost |
| Accounts payable and accrued liabilities | Other Financial Liabilities | Amortized Cost |

### (b) Fair Value

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and its carrying value approximates fair value.

### (c) Financial Risk Management

The Company's risk exposure and the impact on its financial instruments are summarized as follows:

#### (i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities and through management of its capital structure. The Company's financial liabilities of $198,241 as at February 29, 2016 have contractual maturities of less than 90 days (February 28, 2015 - $96,522).

As at February 29, 2016, the Company's cash balance of $67,978 would not be sufficient to meet its liabilities and the cash requirements for the Company's administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

## 4. Financial Instruments, continued

### (c) Financial Risk Management, continued

#### (ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

As at February 29, 2016, the Company had no amounts receivable or payable in foreign currencies, and accordingly, is not exposed to currency risk.

#### (iii) Interest Rate Risk

In respect of the Company's financial assets, interest rate risk mainly arises from the interest rate impact on cash and cash equivalents and reclamation bond. As at February 29, 2016, the Company's exposure is immaterial.

#### (iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash position, which is held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers rated R1/A2/P2 or higher. All investments must be less than one year in duration.

#### (v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

## 5. Mineral Properties

| | 2016 | 2015 |
|---|---|---|
| Acquisition costs | $ 1 | $ 513,682 |
| Deferred expenditures (Schedule) | - | 11,177,973 |
| Impairment | - | (11,691,654) |
| | $ 1 | $ 1 |

## 5. Mineral Properties, continued

*Lustdust Claims*

i) On July 15, 1989, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia, for $170,000 cash. The vendor retains a 3% net smelter return royalty ("NSR").

ii) On February 21, 1992, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division for $100,000 cash and 20,000 shares of the Company at a fair value of $6 each (previously subject to a 5% net profit interest to a maximum of $100,000 and a 2% NSR). In July 2003, the Company acquired the retained "5% net profit interest and the 2% NSR" for $150,000 cash.

iii) The Company's Lustdust Property is currently comprised of 20 "cell" claims, 100% owned by the Company. Ownership is currently secured through 2021 and/or 2022. There is no requirement for NSR or royalties on any of these claims.

iv) During the year ended February 28, 2015, the Company considered prevalent market conditions and ability to raise sufficient financing to be indicators of impairment, and as a result, recorded an impairment provision against capitalized costs related to these claims totaling $11,691,654, determined in accordance with level 3 of the fair value hierarchy.

| Schedule | 2016 | 2015 |
|---|---|---|
| **Exploration** | | |
| Camp expenses | $ - | $ 4,200 |
| BC Mining tax credit | - | (686) |
| Net expenditures | - | 3,514 |
| Balance, beginning of year | - | 11,174,459 |
| Balance, end of the year | **$** - | $ 11,177,973 |

## 6. Reclamation Bond

As at February 29, 2016, the Company has placed a reclamation bond for $30,000 (February 28, 2015 - $30,000) with the British Columbia Ministry of Energy and Mines. The cashable term deposit is for one year without interest and is automatically renewed annually.

## 7. Equipment

| | Computer equipment | Furniture and fixtures | Machinery and equipment | Trucks | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, February 28, 2014 | $ 8,878 | $ 17,282 | $ 23,742 | $ 54,939 | $ 104,841 |
| Additions/Disposals | - | - | - | - | - |
| Balance, February 28, 2015 | 8,878 | 17,282 | 23,742 | 54,939 | 104,841 |
| Additions/Disposals | - | - | - | - | - |
| Balance, February 29, 2016 | $ 8,878 | $ 17,282 | $ 23,742 | $ 54,939 | $ 104,841 |
| **Depreciation** | | | | | |
| Balance, February 28, 2014 | $ 8,237 | $ 16,960 | $ 19,115 | $ 49,446 | $ 93,758 |
| Depreciation for the year | 193 | 97 | 1,388 | 1,648 | 3,326 |
| Balance, February 28, 2015 | 8,430 | 17,057 | 20,503 | 51,094 | 97,084 |
| Depreciation for the year | 135 | 68 | 972 | 1,153 | 2,328 |
| Balance, February 29, 2016 | $ 8,565 | $ 17,125 | $ 21,475 | $ 52,247 | $ 99,412 |
| **Carrying Amount** | | | | | |
| As at February 28, 2015 | $ 448 | $ 225 | $ 3,239 | $ 3,845 | $ 7,757 |
| As at February 29, 2016 | $ 313 | $ 157 | $ 2,267 | $ 2,692 | $ 5,429 |

## 8. Share Capital

### (a) Authorized

The authorized capital of the Company is an unlimited number of common shares without par value.

### (b) Share Issuances

There were no share issuances during the years ended February 29, 2016 and February 28, 2015.

### (c) Share Purchase Warrants

Warrant transactions for the respective years are summarized as follows:

| | Number of warrants | Exercise price |
|---|---|---|
| Balance, February 28, 2014 and 2015 | 795,000 | $0.06 |
| Warrants expired, on January 13, 2016 | (795,000) | $0.06 |
| **Balance, February 29, 2016** | **-** | **$0.00** |

## 8. Share Capital, continued

### (d) Stock Options

The Company has established a fixed share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, consultants or service providers to the Company. The maximum aggregate number of plan shares that may be reserved for issuance under the plan at any point in time is 944,734 shares, less any common shares reserved for issuance under share options granted under share compensation arrangements other than the plan, unless the plan is amended pursuant to the requirements of the TSX Venture Exchange policies at the award date. Options granted under the plan may have a maximum term of ten years. The exercise price of an option may not be less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

A summary of the Company's options outstanding at February 29, 2016 and February 28, 2015, are as follows:

| Exercise Price | Expiry Date | Balance February 28 2015 | Granted | Cancelled or Expired | Balance February 29 2016 |
|---|---|---|---|---|---|
| $ 1.00 | July 23, 2015 | 75,000 | - | 75,000 | - |
| $ 0.06 | February 24, 2019 | 625,000 | - | - | 625,000 |
| Outstanding | | 700,000 | - | 75,000 | 625,000 |
| Weighted average exercise price | | $ 0.16 | | $ 1.00 | $ 0.06 |
| Weighted average contractual life remaining in years | | 3.61 | | | 2.99 |
| Exercisable | | 633,750 | | | 625,000 |

| Exercise Price | Expiry Date | Balance February 28 2014 | Granted | Cancelled or Expired | Balance February 28 2015 |
|---|---|---|---|---|---|
| $ 2.00 | July 20, 2014 | 90,000 | - | 90,000 | - |
| $ 1.00 | July 23, 2015 | 75,000 | - | - | 75,000 |
| $ 0.06 | February 24, 2019 | 625,000 | - | - | 625,000 |
| Outstanding | | 790,000 | - | 90,000 | 700,000 |
| Weighted average exercise price | | $ 0.37 | | $ 2.00 | $ 0.16 |
| Weighted average contractual life remaining in years | | 4.13 | | | 3.61 |
| Exercisable | | 321,250 | | | 633,750 |

## 8. Share Capital, continued

### (e) Share-based Payments

During the years ended February 29, 2016 and February 28, 2015, the Company did not grant any stock options. During the year ended February 29, 2016, the Company expensed $2,882 (February 28, 2015 - $23,425) for stock options vested from the 2014 option grant.

## 9. Related Party Transactions

During the year ended February 29, 2016, the Company incurred $6,000 (February 28, 2015 - $6,000) for office rental expense to a director and an officer of the Company.

As of February 29, 2016, accounts payable included $7,500 (February 28, 2015 - $5,000) payable to directors for directors' fees, $105,007 (February 28, 2015 - $52,504) to a director and an officer of the Company for management and administration services and $62,791 (February 28, 2015 - $18,692) to a director and officer for financial and operating services. The amounts are without interest or stated terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee benefits or post-employment benefits. Compensation awarded to key management during the years ended February 29, 2016 and February 28, 2015 are as follows:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Short-term employee benefits | $ | 86,004 | $ | 86,004 |
| Directors fees | | 2,500 | | - |
| Share-based payments | | 2,882 | | 23,425 |
| Total | $ | 91,386 | $ | 109,429 |

## 10. Capital Management

The Company includes equity, comprising issued common shares, share-based payment reserve and deficit in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

## 10. Capital Management, continued

The property in which the Company currently has an interest is in the exploration stage, and as such, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended February 29, 2016. The Company is not subject to externally imposed capital requirements.

## 11. Segmented Information

The Company operates in one segment primarily directed towards the acquisition, exploration and ultimate development of gold and other precious metals with regard to mineral properties held in British Columbia, Canada.

## 12. Income Taxes

A reconciliation of the income tax expense computed at statutory rates to the reported loss before taxes is as follows:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Income tax benefit at statutory rate of 26.0% | $ | (40,175) | $ | (3,085,648) |
| Items not deductible for tax purposes | | 749 | | 6,090 |
| Expired losses | | - | | 34,971 |
| Unused tax losses and tax offsets not recognized | | 39,426 | | 1,957,593 |
| Defered income tax recovery | $ | - | $ | (1,086,994) |

## 12. Income Taxes, continued

The Company's unrecognized deductable temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

| | 2016 | 2015 |
|---|---|---|
| Non-capital loss carry-forwards | $ 2,920,673 | $ 2,770,750 |
| Resource properties | 4,514,772 | 4,514,772 |
| Equipment | 368,012 | 365,684 |
| Share issue cost | 1,230 | 1,846 |
| Capital losses | 6,124 | 6,124 |
| Non-refundable tax credits | 6,181 | 6,181 |
| | $ 7,816,992 | $ 7,665,357 |

The Company's non-capital losses expire as follows:

| | |
|---|---|
| 2026 | $ 168,427 |
| 2027 | 216,928 |
| 2028 | 406,203 |
| 2029 | 273,021 |
| 2030 | 381,157 |
| 2031 | 448,430 |
| 2032 | 321,079 |
| 2033 | 209,110 |
| 2034 | 181,640 |
| 2035 | 164,755 |
| 2036 | 149,923 |
| | $ 2,920,673 |

## 13. Supplemental Cash Flow Information

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Cash and cash equivalents is comprised of: | | | | |
| Cash | $ | 5,702 | $ | 1,173 |
| Guaranteed investment certificate | | 62,276 | | 116,378 |
| Total cash and cash equivalents | $ | 67,978 | $ | 117,551 |
| Cash Items | | | | |
| Income tax paid | $ | - | $ | - |
| Interest received | $ | 1,348 | $ | 1,234 |
| Interest paid | $ | - | $ | - |
| Non-Cash Items | | | | |
| Interest income accrued | $ | 21 | $ | 450 |

## 14. Subsequent Event

Subsequent to year-end, the Company entered into a definitive agreement with Lorraine Copper Corp. ("LLC") whereby LLC will acquire a 100% interest in the Lustdust Property by:

- Issuing to the Company 5.5 million common shares of LLC on closing;
- Paying to the Company $50,000 on closing; and
- Incurring $100,000 in exploration expenditures on the Lustdust Property over a twelve-month period from the date of closing.

Closing of the transaction is subject to approval of the transaction by two-thirds of the votes cast at a shareholders' meeting and approval of the TSX Venture Exchange.

ALQ GOLD

CORPORATION

# CONDENSED INTERIM FINANCIAL STATEMENTS
# FOR THREE MONTHS ENDED MAY 31, 2018
# (Expressed in Canadian Dollars)

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**ALQ GOLD CORPORATION**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by management)
(Expressed in Canadian Dollars)
AS AT

| | May 31, 2018 | February 28, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 7,336,446 | $ 15,220,447 |
| Receivables | 95,010 | 92,573 |
| Advance | 210,661 | 210,661 |
| Prepaid expenses | 466,641 | 200,826 |
| **Total current assets** | 8,108,758 | 15,724,507 |
| **Non-current** | | |
| Investment (Note 6) | 1,500,000 | 1,500,000 |
| Promissory notes (Note 7) | 6,801,245 | 1,782,480 |
| **Total assets** | $ 16,410,003 | $ 19,006,987 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Trade payables and accrued liabilities | $ 293,780 | $ 1,204,356 |
| Obligation to issue shares (Note 10) | 921,681 | 921,681 |
| Subscriptions received in advance (Note 10) | 22,290 | 1,617,273 |
| **Total liabilities** | 1,437,751 | 3,743,310 |
| **Shareholders' equity** | | |
| Share capital (Note 10) | 33,047,273 | 33,047,273 |
| Subscriptions receivable (Note 10) | (213,450) | (315,950) |
| Reserves (Note 10) | 839,253 | 839,253 |
| Deficit | (18,700,824) | (18,306,899) |
| **Total shareholders' equity** | 14,972,252 | 15,263,677 |
| **Total liabilities and shareholders' equity** | $ 16,410,003 | $ 19,006,987 |

Nature of operations and going concern (Note 1)
Basis of presentation (Note 2)
Subsequent event (Note 14)

*"Morgan Good"* Director *"Ming Jang"* Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**ALQ GOLD CORPORATION**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited – Prepared by management)
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIODS ENDED MAY 31

| | 2018 | 2017 |
|---|---|---|
| **EXPENSES** | | |
| Advertising and promotion | $ 1,302 | $ - |
| Depreciation (Note 8) | - | 582 |
| Management and consulting fees | 132,925 | 14,501 |
| Office costs | 10,784 | 10,572 |
| Professional fees | 242,588 | 6,638 |
| Regulatory and transfer agent fees | 7,723 | 4,980 |
| Rent | - | 1,500 |
| Travel | 26,339 | - |
| **Total operating expenses** | (421,661) | (38,773) |
| Interest expense and bank charges | (611) | (116) |
| General exploration | - | (1,000) |
| Foreign exchange gain | 26,313 | - |
| Interest income | 2,034 | - |
| Gain (loss) on fair value of marketable securities (Note 5) | - | (82,500) |
| | 27,736 | (83,616) |
| **Income (loss) and comprehensive income (loss) for the period** | $ (393,925) | $ (122,389) |
| **Income (loss) per common share, basic and diluted** | $ (0.00) | $ (0.02) |
| **Weighted average number of common shares outstanding Basic and diluted** | **80,462,458** | **5,518,670** |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**ALQ GOLD CORPORATION**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by management)
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIODS ENDED MAY 31

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) for the period | $ (393,925) | $ (122,389) |
| Items not involving cash: | | |
| Depreciation | - | 582 |
| Unrealized (gain) loss on fair value of marketable securities | - | 82,500 |
| **Changes in non-cash working capital items:** | | |
| Receivables | 100,063 | (193) |
| Prepaid expenses | (265,815) | 2,098 |
| Advance | - | 10,000 |
| Reclamation bond | - | 30,000 |
| Trade payables and accrued liabilities | (910,576) | (7,566) |
| **Net cash used in operating activities** | (1,470,253) | (4,968) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Promissory Notes | (5,018,765) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Subscriptions received in advance | (1,394,983) | - |
| **Change in cash for the period** | (7,884,001) | (4,968) |
| **Cash, beginning of the period** | 15,220,447 | 16,552 |
| **Cash, end of the period** | $ 7,336,446 | $ 11,584 |
| Cash paid during the period for interest | $ - | $ - |
| Cash paid during the period for income taxes | $ - | $ - |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**ALQ GOLD CORPORATION**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
(Unaudited – Prepared by management)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31

| | Number of shares | Share capital | Subscriptions receivable | Reserves | Deficit | Total |
|---|---|---|---|---|---|---|
| Balance at February 28, 2017 | 5,518,670 | $ 17,204,394 | $ - | $ 699,341 | $ (17,764,743) | $ 138,992 |
| Capital dividend distribution | - | - | - | - | (302,500) | (302,500) |
| Loss for the period | - | - | - | - | (122,389) | (122,389) |
| Balance at May 31, 2017 | 5,518,670 | 17,204,394 | - | 699,341 | (18,189,632) | (285,897) |
| Balance at February 28, 2018 | 80,462,458 | $ 33,047,273 | $ (315,950) | $ 839,253 | $ (18,306,899) | $ 15,263,677 |
| Shares issued for cash | - | - | 102,500 | - | - | 102,500 |
| Loss for the period | - | - | - | - | (393,925) | (393,925) |
| Balance at May 31, 2018 | 80,962,458 | $ 33,047,273 | $ (213,450) | $ 839,253 | $ (18,700,824) | $ 14,972,252 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

ALQ Gold Corporation ("ALQ" or the "Company") is a publicly traded company currently listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "ALQ". The Company's shares had previously traded on the TSX Venture Exchange ("TSX-V") under the trading symbol "ALQ" up until September 19, 2016. On September 20, 2016, the Company voluntarily delisted from TSX-V and listed its common shares on the CSE, under the same trading symbol. The Company's head office is located at 202 – 5626 Larch Street, Vancouver, BC. and is a reporting issuer in British Columbia, Alberta and Ontario.

Prior to a change of business, the Company had been primarily engaged in the acquisition an exploration of mineral properties located in Canada. On August 28, 2017, trading in the Company's shares was halted as the Company made an application to the CSE of its intention to change its business focus from being a mineral resource exploration company to an investment company. As an investment company, the Company will be seeking investment opportunities in the global cannabis sector. It is not the Company's intention to be directly involved in the growing or distribution of cannabis related products, but rather to make strategic investments in several companies that would be actively engaged in such businesses.

These unaudited consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity financing or through the sale of its investments at amounts favorable to the Company. Management estimates there is sufficient working capital as at May 31, 2018 to continue current operations for the next twelve months. These unaudited consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance and basis of measurement

These unaudited condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The unaudited interim condensed consolidated financial statements of the Company for the three month period ended May 31, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 23, 2018.

### b) Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiary.

## 2. BASIS OF PRESENTATION (continued):

### c) Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

| Name of Subsidiary | *Place of Incorporation* | *Proportion of Ownership Interest* | *Principal Activity* |
|---|---|---|---|
| ALQ Investments LLP | State of Nevada | 100% | Dormant |

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

### a) Cash

Cash includes cash on hand and deposits held with financial institutions.

### b) Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss (“FVTPL”), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are subsequently measured at amortized cost using the effective interest method. The Company’s financial assets and liabilities are recorded and measured as follows:

| **Asset or Liability** | **Category** | **Measurement** |
|---|---|---|
| Cash | FVTPL | Fair value |
| Receivables | Loans and receivables | Amortized cost |
| Marketable securities | FVTPL | Fair value |
| Investment | FVTPL | Fair value |
| Promissory note | Loans and receivables | Amortized cost |
| Trade payables and accrued liabilities | Other liabilities | Amortized cost |

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### b) Financial instruments (continued):

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs. The Company's investment is measure at fair value using Level 3 inputs.

### c) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### d) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, common share, options and warrants, and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares, common share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

### e) Investments

All investments at fair value are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit or loss. The Company has met the requirements of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") to designate investments at fair value through profit and loss as the investments at fair value constitute a group of financial assets which is managed and its performance is evaluated on a fair value basis. Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss are presented in profit or loss in the period in which they arise.

The determination of fair value requires judgment based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below. Such valuation changes are reflected in the financial statements. A fair value hierarchy is summarized in Note 9 that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments.

All investments in private companies, which includes shares, are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting date, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation inputs included in Level 3 as discussed in below.

The determinations of fair value of the Company's investments in private companies at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available or, if available, that information may be limited and/or unreliable.

For private company securities not traded in an active market, all investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting date, an assessment for indicators of impairment are performed, and the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- A discounted cash flow analysis or other valuation models

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### f) Earnings (loss) per common share

Basic earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year-end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

### g) Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

### h) Impairment of long-lives assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

### i) New standards, interpretations and amendments

No new standards or interpretations were adopted during the year.

**New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect a significant impact from adoption of the above standards.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

*Critical judgments*

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued):

*Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

i. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

   Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

   The Company has not recorded any deferred tax assets.

ii. Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company's results of operations and equity reserves.

iii. The Company recognizes its investment at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable market data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

## 5. MARKETABLE SECURITIES

During the fiscal year ended February 28, 2017, the Company received 5,500,000 common shares of Lorraine Copper Corp. ("LLC") as partial proceeds on sale of the Lustdust Property (Note 9).

On April 17, 2017, the Company distributed 5,500,000 shares of LLC as a return of capital to the shareholders of the Company.

| | # | $ |
|---|---|---|
| Balance as at February 28, 2016 | - | - |
| Acquisition of LLC shares | 5,500,000 | 440,000 |
| Fair value adjustment | - | (55,000) |
| Balance as at February 28, 2017 | 5,500,000 | 385,000 |
| Fair value adjustment – April 17, 2017 | - | 55,000 |
| Return of capital, April 17, 2017 | (5,500,000) | (440,000) |
| Balance as at February 28 and May 31, 2018 | - | - |

## 6. INVESTMENT

During the fiscal year ended February 28, 2018, the Company entered into an agreement to acquire 3,000,000 units of Salvation Botanicals Ltd. ("Salvation") at a price of $0.50 per unit for a total cost of $1,500,000 pursuant to a subscription agreement between ALQ and Salvation (the "Subscription Agreement"). Each unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months.

Salvation is a private company based in Nanaimo, BC. The company is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

## 7. PROMISSORY NOTES

### *Tahoe Hydroponics Company LLC*

On August 23, 2017, the Company entered into a Letter of Agreement (the "Letter") with Tahoe Hydroponics Company LLC ("Tahoe") a US based cannabis cultivation company based in Carson City, Nevada. The terms of the Letter with Tahoe, initially required that:

(i) the Company will loan an aggregate of US$3,000,000 to Tahoe prior to October 15, 2017;
(ii) the Company will have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and
(iii) the Company will then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing.

## 7. PROMISSORY NOTE (continued):

In connection with the Letter, the Company had advanced a total of US$1,350,000 to Tahoe.

On April 24, 2018, the Company and Tahoe mutually terminated the Letter and replaced it with a promissory note evidencing the advance of US$1.35 million from the Company to Tahoe with a 6% annual interest rate (the "Tahoe Note"). As at May 31, 2018, the promissory note included $53,265 in interest receivable. In connection with signing of the promissory note subsequent to May 31, 2018, the Company granted a total of 500,000 common shares to a facilitating agent.

***Third Party***

On April 24, 2018, the Company entered into a Letter of Agreement ("Letter Agreement") with a third party that owns certain intellectual property rights and brand names intended for use in the cannabis industry. The Letter Agreement outlines a variety of potential transactions between the parties, including licensing and direct investment opportunities.

In connection with the Letter Agreement, the Company provided a $5,000,000 loan and the third party issued an unsecured convertible promissory note ("Convertible Note"). The Convertible Note matures 24 months following the date of issuance and bears interest at 8% per annum. The Convertible Note is convertible into up to 3,333 common shares, or 3.3%, of the third party.

## 8. EQUIPMENT

| | Computer Equipment | Furniture and fixtures | Machinery and Equipment | Vehicles | Totals |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, February 29, 2016 | $ 8,878 | $ 17,282 | $ 23,742 | $ 54,939 | $ 104,841 |
| Additions / Disposals | - | - | - | - | - |
| Balance, February 28, 2017 | 8,878 | 17,282 | 23,742 | 54,939 | 104,841 |
| Additions / Disposals | (8,878) | (17,282) | (23,742) | (54,939) | (104,841) |
| Balance, February 28, 2018 | $ - | $ - | $ - | $ - | $ - |
| **Depreciation** | | | | | |
| Balance, February 29, 2016 | $ 8,565 | $ 17,125 | $ 21,475 | $ 52,247 | $ 99,412 |
| Depreciation for the year | 135 | 68 | 972 | 1,151 | 2,326 |
| Balance, February 28, 2017 | 8,700 | 17,193 | 22,447 | 53,398 | 101,738 |
| Depreciation for the period | 34 | 17 | 242 | 289 | 582 |
| Write-off of equipment | (8,734) | (17,210) | (22,689) | (53,687) | (102,320) |
| Balance, February 28, 2018 | $ - | $ - | $ - | $ - | $ - |
| **Carrying Amounts** | | | | | |
| At February 28, 2017 | $ 178 | $ 89 | $ 1,295 | $ 1,541 | $ 3,103 |
| At February 28, 2018 | $ - | $ - | $ - | $ - | $ - |

## 9. MINERAL PROPERTIES

| | 2018 | 2017 |
|---|---|---|
| Lustdust Claims | | |
| Acquisition costs | $ - | $ 1 |
| Disposal | | (1) |
| Fair value adjustment | $ - | $ - |

During the fiscal year ended February 28, 2017, the Company sold the Lustdust Property to Lorraine Copper Corp ("LLC") whereby LLC acquired a 100% interest in the Lustdust Property by:

- Issuing 5,500,000 common shares of LLC (received);
- Paying of $50,000 (received);
- Incurring $100,000 in exploration expenditure on the Lustdust Property (incurred);

As a result of the sale, the Company recorded a $490,000 gain during the fiscal year ended February 28, 2017.

## 10. SHARE CAPITAL AND RESERVES

Authorized capital stock: unlimited number of common shares without par value.

No share were issued during the three month period ended May 31, 2018.

During the year end February 28, 2018, the Company issued common shares as follows:

a) 24,578,170 common shares were issued at $0.0375 per common share, by way of a non-brokered private placement, for gross proceeds of $921,681.

b) 25,936,818 common shares were issued at $0.175 per common share, by way of a non-brokered private placement, for gross proceeds of $4,538,944.

c) 24,015,800 Units were issued at $0.50 per Unit, by way of a non-brokered private placement, for gross proceeds of $12,007,900. Each Unit comprises one common share and one share purchase warrant with each whole warrant exercisable into a common share for $1.25 for a period of twelve months.

The Company incurred cash costs of $1,045,734, issued 413,000 common shares to finders valued at $43,989, and issued 2,279,956 finder warrants valued at $139,912. The finder's warrants were calculated using a Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1.37 years, dividend yield of 0%, expected volatility of 105.63% and a risk free interest rate of 1.31%.

As at May 31, 2018, a total of $213,450 in subscriptions was receivable for shares issued. Subsequent to May 31, 2018, the full amount was collected.

During the year end February 28, 2018, the Company received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at February 28, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

During the year ended February 28, 2018, the Company also received $1,617,273 in cash for private placements which were oversubscribed. The Company will return the funds received to subscribers for the amounts collected for which shares will not be issued.

On April 17, 2017, the Company completed a return of capital to shareholders of record on January 25, 2017 for the 5,500,000 shares or Lorraine Copper Corp. originally received as consideration for the Lustdust Property (Note 9).

## 10. SHARE CAPITAL AND RESERVES (continued):

### Stock Option Plan

The Company has established a fixed share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, consultants or service providers to the Company. Under the plan the Company is authorized to grant stock options of up to ten percent (10%) of the number of common shares issued and outstanding. Options granted under the plan may have a maximum term of ten years. The exercise price of an option may not be less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant.

### Stock Options

On April 30, 2018, the Company granted an aggregate of 2,000,000 stock options to the directors of the Company and a consultant. The options, having an exercise price of $0.50, are fully vested and expire April 30, 2023.

Stock option outstanding as at May 31, 2018 are as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Balance, February 28, 2017 and May 31, 2017** | 625,000 | $ 0.06 |
| **Balance, February 28, 2018** | 200,000 | $ 0.06 |
| Granted | 2,000,000 | $ 0.50 |
| **Balance, May 31, 2018** | 2,200,000 | $ 0.46 |

Stock options outstanding at May 31, 2018 are as follows:

| Date of Expiry | Number of Options Outstanding | Number of Options Exercisable | Exercise Price | Weighted Average Remaining Life (years) |
|---|---|---|---|---|
| February 24, 2019 | 200,000 | 200,000 | $ 0.06 | 0.74 |
| April 30, 2023 | 2,000,000 | 2,000,000 | $ 0.50 | 4.92 |

## 10. SHARE CAPITAL AND RESERVES (continued):

### Warrants

Common share purchase warrant transactions and the number of common shares purchase warrants outstanding are summarized below:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| **Balance, February 28, 2017** | - | $ - |
| Granted | 14,287,856 | $ 1.20 |
| **Balance, May 31, 2018** | 14,287,856 | $ 1.20 |

As of May 31, 2018, the Company had outstanding warrants as follows:

| Date of Expiry | Number | Exercise Price | Weighted Average Remaining Life (years) |
|---|---|---|---|
| October 31, 2019 | 382,256 | $ 0.215 | 1.42 |
| November 24, 2019 | 301,070 | $ 0.215 | 1.49 |
| February 8, 2019 | 5,267,100 | $ 1.250 | 0.70 |
| February 14, 2019 | 1,261,400 | $ 1.250 | 0.71 |
| February 16, 2019 | 7,076,030 | $ 1.250 | 0.72 |
| | 14,287,856 | $ 1.20 | 0.74 |

## 11. FINANCIAL RISK FACTORS

The fair value of the Company's receivables, advance, trade payables and accrued liabilities, approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's receivables primarily consist of input tax credits receivable from the Government of Canada. The Company is exposed to credit risk on its promissory note due from Tahoe.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2018, the Company had a cash balance of $7,336,446 to settle current liabilities of $1,437,751. The Company does not believe it is exposed to any significant liquidity risk as at May 31, 2018.

## 11. FINANCIAL RISK FACTORS (continued):

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and, commodity and equity prices.

a) Interest rate risk

The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at May 31, 2018, the Company had $6,000,000 in invested in investment-grade short-term deposit certificates.

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

c) Foreign currency risk

The Company is exposed to foreign currency risk on its promissory note from Tahoe (Note 7) which is denominated in US dollars. A 10% fluctuation in the foreign exchange rate would have a $190,000 impact on profit and loss.

## 12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of its investments. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to search for new business opportunities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it feels there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended May 31, 2018. The Company is not subject to externally imposed capital requirements.

## 13. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

| | Three month period ended May 31, 2018 | 2017 |
|---|---|---|
| Short-term benefits* | $ 55,500 | $ 21,501 |
| Directors' fees | - | 2,500 |
| Totals | $ 55,500 | $ 23,501 |

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in management and consulting fees, and professional fees.

As at May 31, 2018, $nil (2017 - $157,513) was included in accounts payable and accrued liabilities for fees owed to related parties.

## 14. SUBSEQUENT EVENT

Subsequent to the period ended May 31, 2018, the Company entered into a Finder's Fee Agreement with Firetonic Entertainment Inc. ("Firetonic") under which Firetonic had provided assistance to the Company by initiating and facilitating the early discussions between the Company and Tahoe Hydroponics Company, LLC, in connection with a debt financing transaction (see Note 7). In consideration of Firetronic's assistance, the Company issued Firetonic a finder's fee in the amount of 500,000 common shares of the Company.

**SCHEDULE B**
**MANAGEMENT DISCUSSION & ANALYSIS OF**
**ALQ GOLD CORP.**
(*See attached*)

ALQ GOLD
CORPORATION

# Management's Discussion and Analysis
# For the Year Ended February 28, 2018

This Management's Discussion and Analysis ("MD&A") prepared as at July 6, 2018, reviews the financial condition and results of operations of ALQ Gold Corp. ("ALQ", or the "Company") for the year ended February 28, 2018, and all other material events up to the date of this report. The following discussion should be read in conjunction with the Company's February 28, 2018 annual audited consolidated financial statements and related notes.

The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). All dollar amounts are in Canadian dollars, unless otherwise noted.

The Company's certifying officers are responsible for ensuring that the annual audited consolidated financial statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the annual audited financial statements and MD&A fairly present, in all material respects, the financial condition, results of operations and cash flows, of the Company as the date hereof.

## DESCRIPTION AND OVERVIEW OF BUSINESS

ALQ Gold Corp. is a publicly listed company currently listed on Canadian Securities Exchange ("CSE"), trading under the symbol "ALQ". The Company's shares had been trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "ALQ" up to September 19, 2016. On September 20, 2016, the Company voluntarily delisted from TSX-V and listed its common shares on the CSE, under the same trading symbol.

On August 28, 2017, trading in the shares of ALQ were halted as the Company made an application to the CSE of its intention to change its business focus from being a mineral resource exploration company to an investment company. As an investment company, ALQ will be seeking investment opportunities in the global cannabis sector. It is not the Company's intention to be directly involved in the growing or distribution of cannabis related products, but rather to make strategic investments in several companies that would be actively engaged in such businesses. The change of business is subject to regulatory and shareholder approval. The Company's shares will be halted from trading until the Company has made adequate filings with the CSE in regards to its change of business.

Becoming an investment company will result in a Change of Business under the CSE Policies, and as such, requires ALQ to:

- obtain ALQ Shareholder approval. ALQ anticipates obtaining such approval by way of consent resolution of existing ALQ Shareholders holding at least 51% of the currently outstanding ALQ Shares;
- prepare and file this Listing Statement with respect to its new proposed business;
- meet the criteria for a new listing as an investment company on the CSE, make a complete initial application to qualify for listing by filing all necessary documents; and
- obtain the consent of the CSE to ALQ's proposed Change of Business and listing as an investment company.

## PORTFOLIO OF INVESTMENTS

On August 28, 2017, ALQ announced its intention to become an investment company focusing on opportunities in the US and global cannabis sector. The Company's portfolio of investments are as follows:

**Tahoe Hydroponics Company LLC**

Tahoe Hydroponics Company, LLC ("Tahoe") is a private Nevada-based company involved in the cultivation and packaging of cannabis products. It owns 25,000-square-foot recreationally licensed cultivation, pre-roll, production and packaging facility located in Carson City, Nevada.

On August 23, 2017, the Company announced that it entered into its first agreement for investment in the US cannabis industry. The Company executed a binding agreement with Tahoe whereby:

(i) ALQ agreed to initially loan an aggregate of up to US$3,000,000 to Tahoe prior to October 15, 2017;

(ii) ALQ would have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and

(iii) ALQ would then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's Shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing (the "Tahoe Agreement").

The parties later determined that due to the stage of Tahoe's development and their respective growth objectives, the Company's optimal investment in Tahoe would be more appropriately structured as a simple unsecured debt obligation at this time. Accordingly, the parties mutually agreed to terminate the Tahoe Agreement on May 15, 2018 and replaced it with a promissory note evidencing the advance of US$1.35 million from ALQ to Tahoe with a 6% annual interest rate (the "Tahoe Note"). Terms of the agreement will be monthly installment payments of principal and interest which can be accelerated by a liquidity event.

**Salvation Botanicals Ltd.**

Salvation Botanical Ltd. ("Salvation") is a private British Columbia company based in Nanaimo, which is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

Salvation holds a Narcotic Dealer's License (NDL), allowing contract extract production, with authority to extract and produce oil, capsules and tinctures within Health Canada guidelines. In 2016, Health Canada granted Salvation a Hemp Processing License (HPL) permitting production and sale of seed and grain derivatives. Using the name Purely Hemp, Salvation has developed a line of value-added foods including hemp protein powder, hulled hemp seeds, protein bars, hemp butter, capsules (oil, protein powder) and cold-pressed hemp oil, while building exports of value-added bulk hemp products.

The Company has acquired an aggregate of 3,000,000 units (the "Units") of Salvation at a price of CDN$0.50 per Unit for a total cost of CDN$1,500,000. Each Unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months.

## SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information for the Company for the last three completed financial years ended February 28, 2018, 2017 and February 29, 2016. This information has been derived from the Company's audited financial statements for each of those years, and should be read in conjunction with those financial statements and the notes thereto.

| | As at and for the fiscal year ended | | |
|---|---|---|---|
| | February 28, 2018 | February 28, 2017 | February 29, 2016 |
| Revenues | $ nil | $ nil | $ nil |
| Gain on sale of mineral property | - | 490,000 | - |
| Income (loss) for the year | (542,156) | 225,970 | (154,520) |
| Income (loss) per share | (0.02) | 0.041 | (0.028) |
| Total assets | 19,006,987 | 449,553 | 111,263 |
| Total liabilities | 3,743,310 | 310,561 | 198,241 |
| Working capital (deficit) | 11,981,197 | 135,889 | (122,408) |

## RESULTS OF OPERATIONS

*Income (loss) for the year*

The Company reported net loss and comprehensive loss of $(542,156) for the fiscal year ended February 28, 2018 compared to a comprehensive income of $225,970 for the fiscal year ended February 28, 2017.

The Company incurred management and consulting fees of $189,436 and $52,504 for fiscal years ended February 28, 2018 and 2017 respectively. As the Company changed its business focus from a mineral resource exploration company to an investment company, additional management and consulting related costs were incurred to assess business opportunities and conduct the necessary due diligence on these potential investments.

Professional fees were $248,652 and $66,496 for the fiscal years ended February 28, 2018 and 2017 respectively. The increased costs can be attributed to the various legal and accounting costs associated with the Company's change of business application with the Canadian Securities Exchange and other reporting requirements. Many of these costs are one-time expenditures.

The Company also recorded travel costs of $52,871 and $nil for the fiscal years ended February 28, 2018 and 2017 respectively. The increase in travel related costs can be attributed to the marketing and various promotional activities initiated by Company to raise capital and to conduct various due diligence activity on potential investments.

The Company recognized a foreign exchange gain of $30,971 and $nil for the fiscal years ended February 28, 2018 and 2017 respectively. The gain can be attributed to a US dollar denominated loans the Company made in the fiscal year ended February 28, 2018. As the Canadian dollar weakened, the Company recognized a foreign exchange gain on the promissory note held.

*Total assets*

The change in total assets over the three year period from 2016-2018 is largely the result of changes in the cash balances. During the year ended February 28, 2018, the Company recorded proceeds of $16,106,841, net of share issuance costs, from the issuance of its common shares.

Total assets of the Company were $19,006,987 as at February 28, 2018 compared to assets of $449,553 as at February 28, 2017.

*Total liabilities*

As at February 28, 2018, the current liabilities of the Company were $3,743,310 compared to $310,561 as at February 28, 2017. The general increase can be attributed to the timing of payments to various service providers and the obligation to return funds from over-subscribed private placements.

During the year end February 28, 2018, the Company also received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at February 28, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

| Quarter Ended | Revenues | Net income (loss) | Net income (loss) per share [1] |
|---|---|---|---|
| February 28, 2018 | $nil | $(374,285) | $(0.01) |
| November 30, 2017 | $nil | $ 37,842 | $ 0.01 |
| August 31, 2017 | $nil | $ (83,323) | $(0.01) |
| May 31, 2017 | $nil | $(122,390) | $(0.01) |
| February 28, 2017 | $nil | $ (5,898) | $ (0.00) |
| November 30, 2016 | $nil | $ 327,375 | $ 0.08 |
| August 31, 2016 | $nil | $ (46,495) | $(0.02) |
| May 31, 2016 | $nil | $ (49,012) | $(0.02) |

[1] Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

As ALQ Gold Corp is a junior investment company listed on the CSE; it is the nature of such companies that there are no sales or revenues. There can be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Additionally, due to certain market conditions and the inability to raise additional working capital, many companies like ALQ Gold Corp. have written-down various assets due to the uncertainty of continued operations from its past activities.

The Company has experienced significant operating costs with the transition to an investment company. The Company's comparables to prior years are not relevant due to the Company's change of business. The Company has incurred relatively higher expenditures due to this transition, many of these costs are one time expenditures. Prior year operating costs reflect those of a junior exploration company with minimal activity.

The Company is continuing with its work with various regulatory authorities and the CSE to execute a change of business. Many of these costs are one-time expenditures and are reflected in these reporting period.

## LIQUIDITY AND CAPITAL RESOURCES

ALQ did not generate any cash flow from operations. The Company's financial success is reliant on management's ability to identify and evaluate assets or a business with a view to completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities. Future cash flows from operations will be dependent on maximizing the potential of these opportunities.

In order to finance the acquisition of assets or a business and to fund corporate overhead, the Company will be dependent on investor sentiment remaining positive towards the cannabis companies, and towards ALQ in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate from investors to support junior investment companies in the cannabis sector, a company's track record and the experience and the caliber of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. Note 1 of the Company's 2018 audited consolidated financial statements further discusses the going concern of the Company. The Company's financial statements do not include any adjustments that might result from these uncertainties.

The Company has in the past, financed its activities through equity financings. It is anticipated as general sentiment towards junior companies turn positive, the Company can raise the necessary capital to secure and finance the acquisition of additional assets or invest in business opportunities.

Debt financing has not been used to fund asset and business acquisitions, and the Company has no current plans to use such financing. There are no other sources of financing that have been arranged by the Company.

The Company's working capital for the periods ended February 28, 2018 and 2017 was $11,981,197 and $135,889 respectively.

The Company has no commitments for capital expenditures.

*Cash and Financial Conditions*

The Company had a cash balance of $15,220,447 as at February 28, 2018 as compared to a cash balance of $16,552 as at February 28, 2017. The increase in cash is a result of several completed private placements during twelve months ended February 28, 2018.

The Company does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements.

ALQ Gold Corp. does not use hedges or other financial derivatives.

*Financing Activities*

During the year end February 28, 2018, the Company issued common shares as follows:

a) 24,578,170 common shares were issued at $0.0375 per common share, by way of a non-brokered private placement, for gross proceeds of $921,681.

b) 25,936,818 common shares were issued at $0.175 per common share, by way of a non-brokered private placement, for gross proceeds of $4,538,944.

c) 24,015,800 Units were issued at $0.50 per Unit, by way of a non-brokered private placement, for gross proceeds of $12,007,900. Each Unit comprises one common share and one share purchase warrant with each whole warrant exercisable into a common share for $1.25 for a period of twelve months.

The Company incurred cash costs of $1,045,734, issued 413,000 common shares to finders valued at $43,989, and issued 2,279,956 finder warrants valued at $139,912. The finder's warrants were calculated using a Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1.37 years, dividend yield of 0%, expected volatility of 105.63% and a risk free interest rate of 1.31%.

As at February 28, 2018, a total of $315,950 in subscriptions was receivable for shares issued; at the date of this MD&A, the full amount has been collected.

During the year end February 28, 2018, the Company received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at February 28, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

During the year ended February 28, 2018, the Company also received $1,617,273 in cash for private placements which were oversubscribed. The Company will return the funds received to subscribers for the amounts collected for which shares will not be issued.

On April 17, 2017, the Company completed a return of capital to shareholders of record on January 25, 2017 for the 5,500,000 shares or Lorrain Copper Corp. originally received as consideration for the Lustdust Property.

No warrants or options were exercised during the twelve month periods ended February 28, 2018 and 2017 respectively.

*Investing Activities*

On August 23, 2017, the Company entered into a Letter of Agreement (the "Letter") with Tahoe Hydroponics Company LLC ("Tahoe") of Carson City, Nevada. Terms of the Letter with Tahoe, a US based cannabis cultivation company initially required that: (i) the Company will loan an aggregate of US$3,000,000 to Tahoe prior to October 15, 2017; (ii) the Company will have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and (iii) the Company will then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing.

During the year ended February 28, 2018 the Company had advanced USD$1,350,000 to Tahoe. The Company is currently amending its agreement with Tahoe to take into account such funds advanced and the timing of future advances.

Subsequent to the year ended February 28, 2018 it was determined that due to the stage of Tahoe's development and their respective growth objectives, the Company's optimal investment in Tahoe would more be better structured as a simple unsecured debt obligation. Accordingly, Tahoe and the Company terminated the Letter on May 15, 2018 and replaced it with a promissory note evidencing the advance of US$1.35 million from ALQ to Tahoe with a 6% annual interest rate (the "Tahoe Note"). ALQ plans to seek repayment of this loan through receiving monthly payments of principal and interest which can be accelerated by a liquidity event.

During the year ended February 28, 2018, the Company entered into agreements to acquire 3,000,000 units (the "Units") of Salvation Botanical Ltd. ("Salvation"), a private British Columbia company based in Nanaimo, BC. The Each Unit comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months.

Salvation is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

## SECURITIES OUTSTANDING

As at February 28, 2018, the Company had 80,462,458 common shares issued and outstanding.

During the year end February 28, 2018, the Company received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at February 28, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

Subsequent to the period ended February 28, 2018, the Company issued 500,000 common shares in connection with the Tahoe Note and pursuant to a finder's fee agreement dated June 1, 2018, The Company agreed to pay a finder's fee to Firetronic Entertainment Inc. in consideration of the introduction of Tahoe and the facilitation of negotiations in respect of the Tahoe Agreement and Tahoe Note.

As at the date of this MD&A, the Company had 80,962,458 common shares issued and outstanding.

As at February 28, 2018, the Company had 200,000 stock options outstanding with a weighted average exercise price of $0.06.

During the year ended February 28, 2018, the Company cancelled 425,000 stock options with a weighted average exercise price of $0.06.

No stock options were granted during the twelve month periods ended February 28, 2018 and 2017 respectively.

Subsequent to the year ended February 28, 2018, the Company granted an aggregate of 2,000,000 stock options to the directors of the Company and a consultant. The options, having an exercise price of $0.50, are fully vested and expire April 30, 2023;

As at the date of this MD&A, the Company had 2,200,000 stock options outstanding.

## OUTLOOK

The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity financing or through the sale of its investments at amounts favorable to the Company. Management estimates there is sufficient working capital as at February 28, 2018 to continue current operations for the next twelve months.

The Company is largely dependent upon external financings to fund activities. In order to search for new business opportunities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it feels there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Management and the Board of Directors continuously review and examine business proposals for the Company and conduct their due diligence in respect of the same.

## OFF-BALANCE SHEET ARRANGEMENTS

At the date of this report, the Company had no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

| | Year ended February 28, 2018 | 2017 |
|---|---|---|
| Short-term benefits* | $ 141,501 | $ 86,004 |
| Directors' fees | 2,000 | 2,500 |
| Totals | $ 143,501 | $ 88,504 |

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in management and consulting fees, and professional fees.

During the year ended February 28, 2018, the Company incurred $1,500 (2017 - $6,000) for office rental expense to a director and officer of the Company.

As at February 28, 2018, $40 (2017 - $274,403) was included in accounts payable and accrued liabilities for fees owed to related parties.

## PROPOSED TRANSACTIONS

Subsequent to the period ended February 28, 2018, the Company has entered into a Letter of Agreement ("Letter Agreement") with a third party that owns certain intellectual property rights and brand names intended for use in the cannabis industry. The Letter Agreement outlines a variety of potential transactions between the parties, including licensing and direct investment opportunities.

In connection with the Letter Agreement, the Company provided a $5,000,000 loan and the third party issued an unsecured convertible promissory note ("Convertible Note"). The Convertible Note matures 24 months following the date of issuance and bears interest at 8% per annum. The Convertible Note is convertible into up to 3,333 common shares, or 3.3%, of the third party.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

*Critical judgments*

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1 of the Company's audited consolidated financial statements.

*Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

i) Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

   Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

   The Company has not recorded any deferred tax assets.

ii) Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company's results of operations and equity reserves.

iii) The Company recognizes its investment at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable market data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

## RECENT ACCOUNTING PRONOUNCEMENTS

No new standards or interpretations were adopted during the year.

### New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect a significant impact from adoption of the above standards.

## FINANCIAL INSTRUMENTS AND RELATED RISKS

### Categories of Financial Assets and Financial Liabilities

### Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

| Asset or Liability | Category | Measurement |
|---|---|---|
| Cash | FVTPL | Fair value |
| Amounts receivable | Loans and receivables | Amortized cost |
| Marketable securities | FVTPL | Fair value |
| Investment | FVTPL | Fair value |
| Promissory note | Loans and receivables | Amortized cost |
| Trade payables and accrued liabilities | Other liabilities | Amortized cost |

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs. The Company's investment is measured at fair value using Level 3 inputs.

### Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's receivables primarily consist of input tax credits receivable from the Government of Canada. The Company is exposed to credit risk on its promissory note due from Tahoe.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2018, the Company had a cash balance of $15,220,447 to settle current liabilities of $3,743,310. The Company does not believe it is exposed to any significant liquidity risk as at February 28, 2018.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and, commodity and equity prices.

a) Interest rate risk
The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of February 28, 2018, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

c) Foreign currency risk
The Company is exposed to foreign currency risk on its promissory note from Tahoe which is denominated in US dollars. A 10% fluctuation in the foreign exchange rate would have a $190,000 impact on profit and loss.

*Investment in cannabis based businesses*

The Company recognizes there are certain risks in its investment with a cannabis based business. Marijuana is classified as a Schedule I controlled substance under US federal law and as such, marijuana related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under US federal law. There remains a conflict between state and federal law related to marijuana with certain US states permitting its use and sale within a regulatory framework.

The US Department of Justice had recently rescinded the Cole memo which had given guidance that it will generally not enforce federal prohibitions on marijuana in US states that have authorized this conduct so long as the US state has implemented a strong and effective regulatory program. Future enforcement decisions will now be up to the US Attorneys in their respective states, who are to decide which cases to prosecute by weighing all relevant considerations, including federal law enforcement priorities set by the Attorney-General, the seriousness of the crime, the deterrent effect of federal prosecution and the cumulative impact of particular crimes on the community.

The Company considers it unlikely that local federal prosecutors will take action in those states where the legalization of cannabis has been implemented as a result of a majority vote of the state's electorate or by an act of the respective state's legislature. There may be action taken against those who are acting outside state regulations, and this type of enforcement is only beneficial to those businesses operating within local regulations.

The Company conducts extensive due diligence in its investment in the cannabis based business and ensures strict compliance of state policies governing this industry. The Company is unaware of any non-compliance issues associated with Tahoe's licensing requirements as set out by the state of Nevada.

## FINANCIAL RISK FACTORS

The fair value of the Company's receivables, advance, trade payables and accrued liabilities, approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

## FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond ALQ's control, including but not limited to: general economic and business conditions related to the cannabis industry; cash flow projections; currency fluctuations; risks relating to our ability to obtain adequate financing for future activities; the nature of our future activities; and other general market and industry conditions as well as those factors discussed in prior management discussion and analysis, available on SEDAR at www.sedar.com.

Although ALQ Gold Corp. has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. ALQ's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits ALQ will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

The Company believes that the expectations reflected in these forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and as such forward looking statements contained into this report should not be relied upon. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about general business and economic conditions, the availability of financing for the Company, and the ability to identify and secure a quality asset or a business with a view of completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities.

## ADDITIONAL SOURCES OF INFORMATION

Additional information relating to ALQ Gold Corp. can be found on the SEDAR website at www.sedar.com.

ALQ GOLD
CORPORATION

# Management's Discussion and Analysis
# For the Three Month Period Ended May 31, 2018

This Management's Discussion and Analysis ("MD&A") prepared as at July 23, 2018, reviews the financial condition and results of operations of ALQ Gold Corp. ("ALQ", or the "Company") for the three month period ended May 31, 2018, and all other material events up to the date of this report. The following discussion should be read in conjunction with the Company's February 28, 2018 annual audited financial statements and related notes together with the Management's Discussion and Analysis and the unaudited condensed interim consolidated financial statements and related notes for the three month period ended May 31, 2018.

The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). All dollar amounts are in Canadian dollars, unless otherwise noted.

The Company's certifying officers are responsible for ensuring that the unaudited condensed interim consolidated financial statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the unaudited condensed interim consolidated financial statements and MD&A fairly present, in all material respects, the financial condition, results of operations and cash flows, of the Company as the date hereof.

## DESCRIPTION AND OVERVIEW OF BUSINESS

ALQ Gold Corp. is a publicly listed company currently listed on Canadian Securities Exchange ("CSE"), trading under the symbol "ALQ". The Company's shares had been trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "ALQ" up to September 19, 2016. On September 20, 2016, the Company voluntarily delisted from TSX-V and listed its common shares on the CSE, under the same trading symbol.

On August 28, 2017, trading in the shares of ALQ were halted as the Company made an application to the CSE of its intention to change its business focus from being a mineral resource exploration company to an investment company. As an investment company, ALQ will be seeking investment opportunities in the global cannabis sector. It is not the Company's intention to be directly involved in the growing or distribution of cannabis related products, but rather to make strategic investments in several companies that would be actively engaged in such businesses. The change of business is subject to regulatory and shareholder approval. The Company's shares will be halted from trading until the Company has made adequate filings with the CSE in regards to its change of business.

Becoming an investment company will result in a Change of Business under the CSE Policies, and as such, requires ALQ to:

- obtain ALQ Shareholder approval. ALQ anticipates obtaining such approval by way of consent resolution of existing ALQ Shareholders holding at least 51% of the currently outstanding ALQ Shares;
- prepare and file this Listing Statement with respect to its new proposed business;
- meet the criteria for a new listing as an investment company on the CSE, make a complete initial application to qualify for listing by filing all necessary documents; and
- obtain the consent of the CSE to ALQ's proposed Change of Business and listing as an investment company.

## PORTFOLIO OF INVESTMENTS

On August 28, 2017, ALQ announced its intention to become an investment company focusing on opportunities in the US and global cannabis sector. The Company's portfolio of investments are as follows:

### Tahoe Hydroponics Company LLC

Tahoe Hydroponics Company, LLC ("Tahoe") is a private Nevada-based company involved in the cultivation and packaging of cannabis products. It owns 25,000-square-foot recreationally licensed cultivation, pre-roll, production and packaging facility located in Carson City, Nevada.

On August 23, 2017, the Company announced that it entered into its first agreement for investment in the US cannabis industry. The Company executed a binding agreement with Tahoe whereby:

(i) ALQ agreed to initially loan an aggregate of up to US$3,000,000 to Tahoe prior to October 15, 2017;

(ii) ALQ would have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and

(iii) ALQ would then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's Shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing (the "Tahoe Agreement").

The parties later determined that due to the stage of Tahoe's development and their respective growth objectives, the Company's optimal investment in Tahoe would be more appropriately structured as a simple unsecured debt obligation at this time. Accordingly, the parties mutually agreed to terminate the Tahoe Agreement on May 15, 2018 and replaced it with a promissory note evidencing the advance of US$1.35 million from ALQ to Tahoe with a 6% annual interest rate (the "Tahoe Note"). Terms of the agreement will be monthly installment payments of principal and interest which can be accelerated by a liquidity event.

### Salvation Botanicals Ltd.

Salvation Botanicals Ltd. ("Salvation") is a private British Columbia company based in Nanaimo, which is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

Salvation holds a Narcotic Dealer's License (NDL), allowing contract extract production, with authority to extract and produce oil, capsules and tinctures within Health Canada guidelines. In 2016, Health Canada granted Salvation a Hemp Processing License (HPL) permitting production and sale of seed and grain derivatives. Using the name Purely Hemp, Salvation has developed a line of value-added foods including hemp protein powder, hulled hemp seeds, protein bars, hemp butter, capsules (oil, protein powder) and cold-pressed hemp oil, while building exports of value-added bulk hemp products.

The Company has acquired an aggregate of 3,000,000 units (the "Units") of Salvation at a price of CDN$0.50 per Unit for a total cost of CDN$1,500,000. Each Unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months.

## RESULTS OF OPERATIONS

*Loss for the period*

The Company reported net loss and comprehensive losses of $(393,925) and $(122,389) for the three month periods ended May 31, 2018 and 2017 respectively.

The Company incurred management and consulting fees of $132,925 and $14,501 for three month periods ended May 31, 2018 and 2017 respectively. The has Company changed its business focus from that of a mineral resource exploration company to an investment company and as such, additional management and consulting related costs were incurred to assess business opportunities and conduct the necessary due diligence on these potential investments.

Professional fees were $242,588 for the three month period ended May 31, 2018 compared to costs of $6,638 for the three month comparable period ended May 31, 2017. The increased costs can be attributed to the various legal and accounting costs associated with the Company's change of business application with the Canadian Securities Exchange and other fees associated with various due diligence activities.

The Company also recorded travel costs of $26,339 and $nil for the three month periods May 31, 2018 and 2017 respectively. The increase in travel related costs can be attributed to the marketing and various promotional activities initiated by Company to raise capital and to conduct various due diligence activity on potential investments.

The Company recognized a foreign exchange gain of $26,313 and $nil for the three month periods ended May 31, 2018 and 2017 respectively. The gain can be attributed to a US dollar denominated loan, as the Canadian dollar weakened, the Company recognized a foreign exchange gain on the promissory note held.

*Total assets*

The change in total assets over the three year period from 2016-2018 is largely the result of changes in the cash balances. During the year ended February 28, 2018, the Company had recorded proceeds of $16,106,841, net of share issuance costs, from the issuance of its common shares.

Total assets of the Company were $16,410,003 as at May 31, 2018 compared to assets of $19,006,987 as at February 28, 2018.

*Total liabilities*

As at May 31, 2018, the current liabilities of the Company were $1,437,751 compared to $3,743,310 as at February 28, 2018. The general decrease can be attributed to the obligation to return funds from over-subscribed private placements.

During the year end February 28, 2018, the Company had received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at May 31, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

| Quarter Ended | Revenues | Net income (loss) | Net income (loss) per share [1] |
|---|---|---|---|
| May 31, 2018 | $nil | $(393,925) | $(0.00) |
| February 28, 2018 | $nil | $(374,285) | $(0.01) |
| November 30, 2017 | $nil | $ 37,842 | $ 0.01 |
| August 31, 2017 | $nil | $ (83,323) | $(0.01) |
| May 31, 2017 | $nil | $(122,390) | $(0.01) |
| February 28, 2017 | $nil | $ (5,898) | $ (0.00) |
| November 30, 2016 | $nil | $ 327,375 | $ 0.08 |
| August 31, 2016 | $nil | $ (46,495) | $(0.02) |

[1] Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

As ALQ Gold Corp is a junior investment company listed on the CSE; it is the nature of such companies that there are no sales or revenues. There can be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Additionally, due to certain market conditions and the inability to raise additional working capital, many companies like ALQ Gold Corp. have written-down various assets due to the uncertainty of continued operations from its past activities.

The Company has experienced significant operating costs with the transition to an investment company. The Company's comparables to prior years are not relevant due to the Company's change of business. The Company has incurred relatively higher expenditures due to this transition, many of these costs are one time expenditures. Prior year operating costs reflect those of a junior exploration company with minimal activity.

The Company is continuing with its work with various regulatory authorities and the CSE to execute a change of business. Many of these costs are one-time expenditures and are reflected in these reporting period.

## LIQUIDITY AND CAPITAL RESOURCES

ALQ did not generate any cash flow from operations. The Company's financial success is reliant on management's ability to identify and evaluate assets or a business with a view to completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities. Future cash flows from operations will be dependent on maximizing the potential of these opportunities.

In order to finance the acquisition of assets or a business and to fund corporate overhead, the Company will be dependent on investor sentiment remaining positive towards the cannabis companies, and towards ALQ in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate from investors to support junior investment companies in the cannabis sector, a company's track record and the experience and the caliber of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. Note 1 of the Company's 2018 audited consolidated financial statements further discusses the going concern of the Company. The Company's financial statements do not include any adjustments that might result from these uncertainties.

The Company has in the past, financed its activities through equity financings. It is anticipated as general sentiment towards junior companies turn positive, the Company can raise the necessary capital to secure and finance the acquisition of additional assets or invest in business opportunities.

Debt financing has not been used to fund asset and business acquisitions, and the Company has no current plans to use such financing. There are no other sources of financing that have been arranged by the Company.

The Company's working capital for the periods ended May 31, 2018 and February 28, 2018 were $6,671,007 and $11,981,197 respectively. The change in working capital can be attributed to the issuance of a convertible promissory note as part of a proposed business transaction.

The Company has no commitments for capital expenditures.

*Cash and Financial Conditions*

The Company had a cash balance of $7,336,446 as at May 31, 2018 as compared to a cash balance of $15,220,447 as at February 28, 2018. The decrease in cash is a result of the issuance of the aforementioned convertible promissory note.

The Company does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements.

ALQ Gold Corp. does not use hedges or other financial derivatives.

*Financing Activities*

During the three month ended May 31, 2018, the Company returned $1,394,983 in cash for private placements which were oversubscribed.

During the year end February 28, 2018, the Company had issued common shares as follows:

a) 24,578,170 common shares were issued at $0.0375 per common share, by way of a non-brokered private placement, for gross proceeds of $921,681.

b) 25,936,818 common shares were issued at $0.175 per common share, by way of a non-brokered private placement, for gross proceeds of $4,538,944.

c) 24,015,800 Units were issued at $0.50 per Unit, by way of a non-brokered private placement, for gross proceeds of $12,007,900. Each Unit comprises one common share and one share purchase warrant with each whole warrant exercisable into a common share for $1.25 for a period of twelve months.

The Company had incurred cash costs of $1,045,734, issued 413,000 common shares to finders valued at $43,989, and issued 2,279,956 finder warrants valued at $139,912. The finder's warrants were calculated using a Black-Scholes option pricing model with the following weighted average assumptions: expected life of 1.37 years, dividend yield of 0%, expected volatility of 105.63% and a risk free interest rate of 1.31%.

As at May 31, 2018, a total of $213,450 in subscriptions was receivable for shares issued; at the date of this MD&A, the full amount has been collected.

During the year end February 28, 2018, the Company had received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at May 31, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

During the year ended February 28, 2018, the Company had also received $1,617,273 in cash for private placements which were oversubscribed. The Company will return the funds received to subscribers for the amounts collected for which shares will not be issued.

On April 17, 2017, the Company completed a return of capital to shareholders of record on January 25, 2017 for the 5,500,000 shares or Lorrain Copper Corp. originally received as consideration for the Lustdust Property.

No warrants or options were exercised during the three month periods ended May 31, 2018 and 2017 respectively.

*Investing Activities*

On August 23, 2017, the Company entered into a Letter of Agreement (the "Letter") with Tahoe Hydroponics Company LLC ("Tahoe") of Carson City, Nevada. Terms of the Letter with Tahoe, a US based cannabis cultivation company initially required that: (i) the Company will loan an aggregate of US$3,000,000 to Tahoe prior to October 15, 2017; (ii) the Company will have the option to convert that loan to equity in Tahoe, representing 30% of the outstanding shares of Tahoe; and (iii) the Company will then have the further option to acquire the remaining 70% of the shares of Tahoe on a share exchange basis, based on the fair market value of ALQ's shares and Tahoe (based on a five times multiple of its 12 month trailing revenues), provided that in any event the former Tahoe shareholders will hold 65% of the outstanding shares of ALQ on closing.

During the year ended February 28, 2018 the Company had advanced USD$1,350,000 to Tahoe. The Company is currently amending its agreement with Tahoe to take into account such funds advanced and the timing of future advances.

During the three month period ended May 31, 2018, it was determined that due to the stage of Tahoe's development and their respective growth objectives, the Company's optimal investment in Tahoe would more be better structured as a simple unsecured debt obligation. Accordingly, Tahoe and the Company terminated the Letter on May 15, 2018 and replaced it with a promissory note evidencing the advance of US$1.35 million from ALQ to Tahoe with a 6% annual interest rate (the "Tahoe Note"). ALQ plans to seek repayment of this loan through receiving monthly payments of principal and interest which can be accelerated by a liquidity event.

During the year ended February 28, 2018, the Company entered into agreements to acquire 3,000,000 units (the "Units") of Salvation Botanicals Ltd. ("Salvation"), a private British Columbia company based in Nanaimo, BC. The Each Unit comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of CDN$0.75 for a term of eighteen months.

Salvation is involved in the production of high-quality standardized cannabinoid products for licensed producers and operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and derivatives for licensed producers of medical cannabis, ACMPR growers, approved cannabis patients, Section 56 license holders, industrial hemp producers and any other party legally entitled to possess cannabis.

## SECURITIES OUTSTANDING

As at May 31, 2018, the Company had 80,462,458 common shares issued and outstanding.

During the year end February 28, 2018, the Company had received subscriptions for an additional 24,578,170 common shares at $0.0375 for which the shares were not issued. As at May 31, 2018, $921,681 is included in obligation to issue shares related to these subscriptions.

Subsequent to the period ended May 31, 2018, the Company issued 500,000 common shares in connection with the Tahoe Note and pursuant to a finder's fee agreement dated June 1, 2018, The Company agreed to pay a finder's fee to Firetronic Entertainment Inc. in consideration of the introduction of Tahoe and the facilitation of negotiations in respect of the Tahoe Agreement and Tahoe Note.

As at the date of this MD&A, the Company had 80,962,458 common shares issued and outstanding.

On April 30, 2018, the Company granted an aggregate of 2,000,000 stock options to the directors of the Company and a consultant. The options, having an exercise price of $0.50, are fully vested and expire April 30, 2023.

As at May 31, 2018 and the date of this MD&A, the Company had 2,200,000 stock options outstanding.

## OUTLOOK

The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity financing or through the sale of its investments at amounts favorable to the Company. Management estimates there is sufficient working capital as at May 31, 2018 to continue current operations for the next twelve months.

The Company is largely dependent upon external financings to fund activities. In order to search for new business opportunities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it feels there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Management and the Board of Directors continuously review and examine business proposals for the Company and conduct their due diligence in respect of the same.

## OFF-BALANCE SHEET ARRANGEMENTS

At the date of this report, the Company had no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

| | Three month period ended May 31, 2018 | 2017 |
|---|---|---|
| Short-term benefits* | $ 55,000 | $ 21,501 |
| Directors' fees | - | 2,500 |
| Totals | $ 55,000 | $ 23,501 |

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in management and consulting fees, and professional fees.

As at May 31, 2018, $nil (2017 - $157,513) was included in accounts payable and accrued liabilities for fees owed to related parties.

## PROPOSED TRANSACTIONS

On April 24, 2018, the Company has entered into a Letter of Agreement ("Letter Agreement") with a third party that owns certain intellectual property rights and brand names intended for use in the cannabis industry. The Letter Agreement outlines a variety of potential transactions between the parties, including licensing and direct investment opportunities.

In connection with the Letter Agreement, the Company provided a $5,000,000 loan and the third party issued an unsecured convertible promissory note ("Convertible Note"). The Convertible Note matures 24 months following the date of issuance and bears interest at 8% per annum. The Convertible Note is convertible into up to 3,333 common shares, or 3.3%, of the third party.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

*Critical judgments*

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1 of the Company's audited consolidated financial statements.

*Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

i) Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

   Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

   The Company has not recorded any deferred tax assets.

ii) Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumption can materially affect the fair value estimate and the Company's results of operations and equity reserves.

iii) The Company recognizes its investment at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable market data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

## RECENT ACCOUNTING PRONOUNCEMENTS

No new standards or interpretations were adopted during the year.

### New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect a significant impact from adoption of the above standards.

## FINANCIAL INSTRUMENTS AND RELATED RISKS

### Categories of Financial Assets and Financial Liabilities

### Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

| Asset or Liability | Category | Measurement |
|---|---|---|
| Cash | FVTPL | Fair value |
| Amounts receivable | Loans and receivables | Amortized cost |
| Marketable securities | FVTPL | Fair value |
| Investment | FVTPL | Fair value |
| Promissory note | Loans and receivables | Amortized cost |
| Trade payables and accrued liabilities | Other liabilities | Amortized cost |

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs. The Company's investment is measured at fair value using Level 3 inputs.

**Risk Management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's receivables primarily consist of input tax credits receivable from the Government of Canada. The Company is exposed to credit risk on its promissory notes due from Tahoe and a third party in relation to a proposed business transaction.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2018, the Company had a cash balance of $7,336,446 to settle current liabilities of $1,437,751. The Company does not believe it is exposed to any significant liquidity risk as at May 31, 2018.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and, commodity and equity prices.

a) Interest rate risk
The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of May 31, 2018, the Company did had $6,000,000 invested in investment-grade short-term deposit certificates.

b) Price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

c) Foreign currency risk
The Company is exposed to foreign currency risk on its promissory note from Tahoe which is denominated in US dollars. A 10% fluctuation in the foreign exchange rate would have a $190,000 impact on profit and loss.

*Investment in cannabis based businesses*

The Company recognizes there are certain risks in its investment with a cannabis based business. Marijuana is classified as a Schedule I controlled substance under US federal law and as such, marijuana related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under US federal law. There remains a conflict between state and federal law related to marijuana with certain US states permitting its use and sale within a regulatory framework.

The US Department of Justice had recently rescinded the Cole memo which had given guidance that it will generally not enforce federal prohibitions on marijuana in US states that have authorized this conduct so long as the US state has implemented a strong and effective regulatory program. Future enforcement decisions will now be up to the US Attorneys in their respective states, who are to decide which cases to prosecute by weighing all relevant considerations, including federal law enforcement priorities set by the Attorney-General, the seriousness of the crime, the deterrent effect of federal prosecution and the cumulative impact of particular crimes on the community.

The Company considers it unlikely that local federal prosecutors will take action in those states where the legalization of cannabis has been implemented as a result of a majority vote of the state's electorate or by an act of the respective state's legislature. There may be action taken against those who are acting outside state regulations, and this type of enforcement is only beneficial to those businesses operating within local regulations.

The Company conducts extensive due diligence in its investment in the cannabis based business and ensures strict compliance of state policies governing this industry. The Company is unaware of any non-compliance issues associated with Tahoe's licensing requirements as set out by the state of Nevada.

## FINANCIAL RISK FACTORS

The fair value of the Company's receivables, advance, trade payables and accrued liabilities, approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

## FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond ALQ's control, including but not limited to: general economic and business conditions related to the cannabis industry; cash flow projections; currency fluctuations; risks relating to our ability to obtain adequate financing for future activities; the nature of our future activities; and other general market and industry conditions as well as those factors discussed in prior management discussion and analysis, available on SEDAR at www.sedar.com.

Although ALQ Gold Corp. has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. ALQ's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits ALQ will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

The Company believes that the expectations reflected in these forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and as such forward looking statements contained into this report should not be relied upon. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about general business and economic conditions, the availability of financing for the Company, and the ability to identify and secure a quality asset or a business with a view of completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities.

## ADDITIONAL SOURCES OF INFORMATION

Additional information relating to ALQ Gold Corp. can be found on the SEDAR website at www.sedar.com.

**SCHEDULE C**
**ALQ INVESTMENT POLICY**
(*See attached*)

**Green Axis Cannabis Brands Inc. (presently ALQ Gold Corp.)**
(the "**Issuer**")

# Investment Policy

The Issuer anticipates making investments involving conventional equity, debt and other securities in private and public companies and anticipates seeking such investment opportunities in the cannabis industry in jurisdictions where such investments comply with applicable laws, including in certain jurisdictions in the United States where the targets of such investments comply only with relevant local and state laws.

## *Roles and Responsibilities*

The Issuer's board of directors (the "**Board**") will have the ultimate authority and responsibility for the Issuer's portfolio of investments (the "**Portfolio**"). To assist it in the performance of its duties and to ensure that the Portfolio meets its objectives, the Board will appoint from time to time an investment committee comprised of three members, whose expertise and experience is consistent with the functions of the committee, no less than two of whom will be members of the Board (the "**Investment Committee**") as the primary overseer of the Portfolio. The Board will receive the Investment Committee's recommendations with respect to the Portfolio from time to time, and approve or amend investment proposals as appropriate, on an as-needed basis. The Board will also review all other reports and recommendations of the Investment Committee with respect to the Portfolio and take appropriate action.

To fulfil its responsibility in the most prudent and appropriate manner, the Board has appointed the Investment Committee to be responsible for the aspects of the Portfolio's operations including the following:

- Maintain an understanding of legal and regulatory requirements and constraints applicable to the Portfolio and keep the Board fully apprised of the same;
- Establish, review and when appropriate, recommend to the Board amendments to this Investment Policy;
- Monitor the performance of the Portfolio in the context of the agreed-upon investment performance mandates from time to time; and
- Review and approve, where appropriate, the criteria and the processes for hiring and terminating analysts or other professionals necessary or desirable for the management of the Portfolio.

The Investment Committee shall review all aspects of the investment management of the Portfolio and shall report to the Board recommendations it deems necessary or advisable. The Investment Committee shall meet at least quarterly and minutes shall be recorded at each meeting. The Investment Committee may prepare reports to the Board from time to time as it sees fit, but will make such reports on at least a quarterly basis.

***Composition of Investment Portfolio***

The nature and timing of the Issuer's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Issuer. The Issuer expects its investment activities will be primarily focused on enterprises located in the United States and Canada, although investments may extend globally (including the purchase of securities listed on foreign stock exchanges). The actual composition of the Issuer's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of the US legal cannabis markets, the Canadian medical cannabis markets, the Canadian recreational cannabis markets, the adoption of more permissive cannabis control legislation globally, and credit risk. Pending investment of available funds, monies will be held in bank or trust accounts with Schedule A financial institutions.

***Investment Objectives***

The principal investment objectives of the Issuer will be as follows:

- to seek high return investment opportunities by investing directly in debt, equity and convertible securities of public and private companies through a range of investment instruments;
- to assist in early stage projects by providing financial support;
- to identify early stage opportunities with attractive risk/reward ratios;
- to preserve its capital and limit the downside risk of its capital;
- to achieve a reasonable rate of capital appreciation;
- to minimize the risk associated with investments in securities; and
- to seek liquidity in its investments.

The Issuer's investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of the Investment Committee and approval by the Board. The Issuer does not anticipate the declaration of dividends to shareholders at this time and plans to re-invest the profits of its investments (if any) to further the growth and development of the Issuer's investment portfolio.

***Investments***

*Principal Targets*: All aspects of the legal cannabis production, distribution and sales business, and technologies that are used in the cannabis sector such as extraction and processing equipment, delivery services, packaging, branding and security services.

*Composition:* The actual composition of the Issuer's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of the U.S. legal cannabis markets, the Canadian medical cannabis markets, the (pending) Canadian recreational cannabis markets, the adoption of more permissive cannabis control legislation globally, and credit risk.

*Types*: The Issuer will maintain a flexible position with respect to the form of investments taken, and may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, streaming investments, net profit interests and other hybrid instruments.

*Jurisdictions*: While the Issuer initially intends to focus on investments in (i) Canada, and (ii) those U.S. states where the production, distribution and sale for both medicinal and recreational use of cannabis has been legalized, its investments may extend globally. All jurisdictions where the cannabis business is legal will be permissible for investment consideration depending on the risk assessment of the Board and Investment Committee at the time the investment is made and the risk-reward relationship associated with each investment in a particular jurisdiction, including the purchase of securities listed on foreign stock exchanges.

*Timing:* The timing of the Issuer's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Issuer. Subject to the availability of capital, the Issuer intends to create a suitably diversified portfolio of investments.

*Size*: Unlimited, which may result in the Issuer holding a control position or even complete ownership in a target corporation or possibly requiring future equity or debt financings to raise money for specific investments.

*Timelines*: Not limited.

*Investee Structures*: Investments in public or private corporations, partnerships or other legal entities which own and/or operate, or propose to own and/or operate, a cannabis industry business.

***Investment Strategy***

To achieve the investment objectives as stated above, while mitigating risk, the Issuer, when appropriate, will seek to employ the following disciplines:

- the Issuer will undertake due diligence of the relevant business in which the investment will be made, as well as the investee;
- the Issuer may select a specific segment of the legal cannabis industry in which to focus its investments and in such a case may retain the services of parties knowledgeable in this sector on a consultancy basis to advise the Board and/or Investment Committee;
- the Issuer will maintain a flexible position with respect to the form of investment taken and may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, streaming investments, net profit interests and other hybrid instruments;

- the Issuer will work closely with each investee's management and board, and in some cases, assist in sourcing experienced and qualified persons to add to its board and/or management;
- investments may include:
  - acquisitions, short term development and resale of interests, royalties, streaming interests, joint venture percentage or equity holdings in target investees;
  - direct acquisition of a business or its assets via a wholly owned subsidiary, which may include assisting in developing such underlying business;
  - capital investment in private companies, and assistance in moving them to an acquisition or merger transaction with a larger issuer or to the go-public stage through initial public offering, reverse takeover or other liquidity event;
  - early stage equity investments in public companies believed to have favourable management and business; and
  - where appropriate, acting as a third-party advisor for opportunities in target or other companies, in exchange for a fee comprised of either cash or securities;
- the Issuer will have flexibility on the return sought, while seeking to recapture its capital within a reasonable period following the initial investment;
- the Issuer will seek to maintain the ability to actively review and revisit all of its investments on an ongoing basis. From time to time, the Issuer may insist on senior management, Board or Investment Committee member representation on target company boards or management teams;
- the Issuer and Investment Committee will continually assess opportunities to liquidate its investments and seek to realize value from same in a prudent and orderly fashion;
- the Issuer will take holdings in companies within the framework of the above guidelines, and which from time to time may result in the Issuer holding a control or complete ownership position in an investee; and
- the Issuer will utilize the services of both independent organizations and securities dealers to gain additional information on target investments where appropriate.

Notwithstanding the foregoing, from time to time, the Board may authorize such investments outside of these disciplines as it sees fit for the benefit of the Issuer and its shareholders, which investments must each be reviewed and recommended for completion by the Investment Committee.

The nature and timing of the Issuer's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Issuer. As noted above, subject to the availability of capital, the Issuer intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

The Issuer's investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of senior management and approval by the Board.

In light of the numerous investment opportunities across the entire US legal cannabis sector, as well as the dynamic nature of cannabis legislation globally, the Issuer aims to adopt a flexible approach to investment targets without placing unnecessary limits on potential returns on its investment. This approach is reflected in the Issuer's proposed investment strategy set out above.

***Compliance***

All investments shall be made in compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

From time to time, the Board may authorize such additional investments outside of the guidelines described herein as it sees fit for the benefit of the Issuer and its shareholders.

With regard to investments in the United States, the Issuer may make investments in entities which are not in compliance with the United States Controlled Substances Act, provided such investments follow thorough due diligence review, as well as the recommendation of the Investment Committee having taken the advice of both Canadian and local counsel.

***Management Participation***

The Issuer may, from time to time, seek a more active role in the corporations in which it invests, and provide such corporations with financial and personnel resources, as well as strategic counsel. The Issuer may also ask for board representation in cases where it makes a significant investment in the business of an investee corporation.

The Issuer's nominee(s) shall be determined by the Board as appropriate in such circumstances, and may include senior officers who are members of neither the Board not the Investment Committee. Such senior officers, if any appointed, will report regularly to the Investment Committee, which shall in turn incorporate such reports in its periodic reports to the Board.

***Registration Status***

The Issuer will aim to structure its investments in such a way as to not be deemed either an investment fund or mutual fund, as defined by applicable securities laws, thereby avoiding the requirement to register as an investment fund manager or investment advisor.

***Conflicts of Interest***

The Issuer and its affiliates, directors, officers are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with their duties to the Issuer. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including companies in which the

Issuer may invest. These persons may also engage in transactions with the Issuer where any one or more of them is acting in a capacity as financial advisor, broker, intermediary, principal, or counterparty, provided that such transactions are carried out (i) in compliance with all applicable corporate and securities law, including applicable stock exchange policy and (ii) on terms similar to those which would apply in a like transaction between parties not connected with any one of them and such transactions are carried out on normal commercial terms as if negotiated at arm's length.

The Issuer has no restrictions with respect to investing in corporations in which a Board or Investment Committee member may already have an interest. However, directors, Investment Committee members and senior officers will be required to disclose any conflicts of interest, including holding any interest in a potential investment. Further, where a conflict is determined to exist, the person having a disclosable interest shall abstain from making further decisions or recommendations concerning such matter, and any potential investments where there is a material conflict of interest involving an employee, officer, Investment Committee member or director of the Issuer may only proceed after receiving approval from the disinterested directors of the Board **and** disinterested member(s) of the Investment Committee.

The Issuer will also be subject to "related party" transaction policies of the securities exchange(s) on which its shares are listed for trading. Such policies may require disinterested shareholder approval and formal valuations for certain investment transactions.

Prior to making any investment commitment, the Issuer shall adopt procedures for checking for potential conflicts of interest, which shall include but not be limited to a circulation of the names of a potential target corporation and its affiliates to the Board and Investment Committee as soon as practical.

All members of the Board shall be obligated to disclose any interest in the potential investment. In the event a conflict is detected, the target corporation shall be notified of the potential conflict in writing. The members of the Board, senior management, the Investment Committee and their advisors shall be responsible for detecting a potential conflict. Where a conflict is determined to exist within senior management, the Investment Committee or the Board, the individual having a conflicting interest shall provide full disclosure of their interest in the potential investment and, if such person is a Board or Investment Committee member, shall abstain from voting on the investment decision but may participate in discussions regarding the potential investment opportunity.