

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the Provinces of British Columbia, Alberta, Ontario and Nova Scotia, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States of America (the "United States") or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the securities offered hereby within the United States or to, or for the benefit of, U.S. persons. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Heritage Cannabis Holdings Corp. at 929 Mainland Street, Vancouver, BC V6B 1S3, Telephone: 1-(604) 628-1767 and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

December 7, 2018



HERITAGE CANNABIS HOLDINGS CORP.

\$7,500,000

30,000,000 Units Issuable upon Exercise or Deemed Exercise of 30,000,000 Special Warrants

This short form prospectus (the "**Prospectus**") qualifies the distribution of 30,000,000 units (the "**Units**") of Heritage Cannabis Holdings Corp. (the "**Company**") issuable upon the exercise or deemed exercise of 30,000,000 special warrants (the "**Special Warrants**") previously issued on November 7, 2018 (the "**Closing Date**"), at a price of \$0.25 per Special Warrant (the "**Offering Price**") to purchasers resident in each of the Provinces of British Columbia, Alberta, Ontario and Nova Scotia (the "**Qualifying Jurisdictions**") on a private placement basis pursuant to prospectus exemptions under applicable securities legislation (the "**Offering**"). Each Unit consists of one common share in the capital of the Company (a "**Unit Share**") and one common share purchase warrant ("**Warrant**"). The Special Warrants were issued pursuant to the terms of a special warrant indenture (the "**Special Warrant Indenture**") dated November 7, 2018 between the Company and Computershare Trust Company of Canada ("**Computershare**") and an agency agreement dated November 7, 2018 (the "**Agency Agreement**") between the Company and Cormark Securities Inc. and Canaccord Genuity Corp. (the "**Agents**"). The Offering Price and other terms of the Offering were determined by arm's length negotiation between the Company and the Agents. See "Plan of Distribution".

There is no market through which the Special Warrants or Warrants may be sold, and purchasers may not be able to resell the Special Warrants or Warrants acquired pursuant to the Offering. This may affect the pricing of the Special Warrants or Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Special Warrants or Warrants and the extent of issuer regulation. An investment in the Special Warrants or Warrants is speculative and involves a significant degree of risk. See "Risk Factors".

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the Units upon the exercise or deemed exercise of the Special Warrants.

The Company's common shares (the "**Common Shares**") are listed and posted for trading on the Canadian Securities Exchange (the "**CSE**") under the symbol "**CANN**". On October 16, 2018, the last trading day prior to the date that the Company entered into the engagement letter with Cormark Securities Inc. with respect to the Offering, the closing price of the Common Shares on the CSE was \$0.31. On December 6, 2018, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the CSE was \$0.17.

| | <u>Price to the Public</u> | <u>Agents' Fee⁽¹⁾</u> | <u>Net Proceeds to the Company⁽²⁾⁽³⁾</u> |
|--------------------------|--------------------------------|--------------------------------------|---|
| Per Special Warrant..... | \$0.25 | \$0.015 | \$.0235 |
| Total..... | \$7,500,000 | \$387,825 ⁽³⁾ | \$7,112,175 ⁽³⁾ |

- (1) Pursuant to the Agency Agreement, the Company paid to the Agents a fee equal to 6.0% of the gross proceeds of the Offering (the "**Agents' Fee**"), excluding Special Warrants sold under the Offering to certain purchasers designated by the Company on the President's list (the "**President's List**") for which no Agents' Fee was payable. As additional compensation, the Company also issued to the Agents broker special warrants (the "**Agents' Special Warrants**"), equal to 6.0% of the aggregate number of Special Warrants sold under the Offering, excluding Special Warrants issued to President's List purchasers for which no Agents' Special Warrants were issuable, with each Agents' Special Warrant entitling the holder to receive one non-transferable Agents' warrant (an "**Agents' Warrant**") upon exercise or deemed exercise of an Agents' Special Warrant for no additional consideration. The Agents' Special Warrants, if not already exercised, will be deemed exercised on the Deemed Exercise Date (as defined herein). Each Agents' Warrant entitles the holder thereof to purchase one Unit at the at an exercise price equal to the Offering Price for a period of 30 months after the Closing Date. This Prospectus qualifies the distribution of the Agents' Warrants. See "Plan of Distribution".
- (2) After deducting the Agents' Fee, but before deducting the expenses of the Offering and the qualification for distribution of the Units, estimated to be \$300,000, which will be paid out of the gross proceeds of the Offering.
- (3) 4,145,000 Special Warrants were issued to President's List purchasers on which no Agents' Fee was paid.

Each Special Warrant entitles its holder to receive, subject to adjustment in certain circumstances and the Penalty Provision (as hereinafter defined), upon exercise or deemed exercise, one Unit at no additional cost. Each Special Warrant shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof, on the earlier of: (i) the date which is three business days following the receipt for a final short form prospectus (the "**Final Receipt**") qualifying the distribution of the Units in each of the Qualifying Jurisdictions (the "**Prospectus Qualification**"); and (ii) 4:59 p.m. (Toronto time) on March 8, 2019 (the "**Deemed Exercise Date**"). The Company has agreed to use reasonable commercial efforts to file and receive the Final Receipt to qualify the Units issuable upon exercise or deemed exercise of the Special Warrants on or before 5:00 p.m. (Toronto time) on January 6, 2019, being 60 days after the Closing Date (the "**Qualification Deadline**"). If the Final Receipt is not received on or before the Qualification Deadline, each holder of a Special Warrant shall be entitled to receive, without payment of additional consideration, 1.10 Units per Special Warrant (in lieu of 1.0 Unit per Special Warrant) (the "**Penalty Provision**") upon the exercise or deemed exercise of the Special Warrants (the additional 0.10 of a Unit to be issued upon the deemed exercise of each Special Warrant after the Qualification Deadline are collectively referred to as the "**Additional Units**"). This Prospectus also qualifies the distribution of any Additional Units upon the exercise or deemed exercise of the Special Warrants. See "Plan of Distribution".

The Warrants are issuable pursuant to a warrant indenture dated November 7, 2018 (the "**Warrant Indenture**") between the Company and Computershare. Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Common Share (a "**Warrant Share**", and together with the Unit Shares, the "**Underlying Shares**") at an exercise price of \$0.35 per Warrant Share until the date this is the earlier of: (i) May 7, 2021, and (ii) 30 days following the date of a Warrant acceleration notice as provided for in the Warrant Indenture. See "Description of Securities Being Distributed".

The following table sets out the securities issuable to the Agents:

| <u>Agents' Position</u> | <u>Maximum size or number of securities available for Offering</u> | <u>Exercise period</u> | <u>Exercise price</u> |
|-------------------------|--|------------------------|-----------------------|
| Agents' Warrants | 1,551,300 Units | May 7, 2021 | \$0.25 per Unit |

Certain legal matters in connection with the Offering are being reviewed on behalf of the Company by McMillan LLP and on behalf of the Agents by Baker & McKenzie LLP.

An investment in the securities of the Company is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

The Offering was partially conducted through a book-based system through CDS Clearing and Depository Services Inc. ("CDS") and a portion of the Special Warrants were deposited with CDS on the Closing Date in electronic form. In addition, certain investors received physical certificates for Special Warrants purchased on the Closing Date. A portion of the Unit Shares and Warrants to be issued upon exercise or deemed exercise of the Special Warrants and the Warrant Shares to be issued upon exercise of the Warrants will also be held by CDS and certain purchasers of the Special Warrants will receive definitive certificates representing the Unit Shares, Warrants and Warrant Shares. See "Plan of Distribution".

The Company has applied to the CSE for the listing of the Underlying Shares. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE. See "Plan of Distribution".

Investors should rely only on the information contained or incorporated by reference in this Prospectus. The Company and the Agents have not authorized anyone to provide investors with information different from that contained or incorporated by reference in this Prospectus. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Special Warrants, the Underlying Shares and the Warrants, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Special Warrants, the Underlying Shares and the Warrants.

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars.

The Company's head office is located at 929 Mainland Street, Vancouver, BC V6B 1S3. The Company's registered office is located at Suite 1500 – 1055 West Georgia St., Vancouver, BC V6E 4N7.

TABLE OF CONTENTS

| | Page |
|---|--------|
| DEFINITIONS | - 1 - |
| CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION..... | - 1 - |
| ELIGIBILITY FOR INVESTMENT..... | - 3 - |
| DOCUMENTS INCORPORATED BY REFERENCE | - 3 - |
| THE COMPANY | - 6 - |
| REGULATORY FRAMEWORK | - 9 - |
| CONSOLIDATED CAPITALIZATION | - 13 - |
| USE OF PROCEEDS | - 14 - |
| PLAN OF DISTRIBUTION..... | - 15 - |
| DESCRIPTION OF SECURITIES BEING DISTRIBUTED..... | - 16 - |
| PRIOR SALES | - 19 - |
| TRADING PRICE AND VOLUME | - 23 - |
| RISK FACTORS | - 23 - |
| CANADIAN FEDERAL INCOME TAX CONSIDERATIONS..... | - 24 - |
| AUDITORS, TRANSFER AGENT AND REGISTRAR..... | - 27 - |
| INTERESTS OF EXPERTS | - 28 - |
| LEGAL MATTERS | - 28 - |
| PURCHASERS' STATUTORY RIGHTS | - 28 - |
| CERTIFICATE OF THE COMPANY | C-1 |
| CERTIFICATE OF THE AGENTS | C-2 |

DEFINITIONS

Unless otherwise noted or the context indicates otherwise, the “Company”, “Heritage”, “we”, “us” and “our” refer to Heritage Cannabis Holdings Corp. and its subsidiaries, and the terms “cannabis”, “CBD”, “client”, “licence” and “THC” have the meanings given to such terms in the *Cannabis Act* (Canada) (the “**Cannabis Act**”) and the Cannabis Regulations made under the Cannabis Act (the “**Cannabis Regulations**”).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains forward-looking statements that relate to the Company’s current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the use of the net proceeds of the Offering and the use of the available funds following completion of the Offering;
- the Company’s expectations regarding its revenue, expenses and research and development operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- expectations with respect to future production costs and capacity;
- expectations regarding our growth rates and growth plans and strategies;
- expectations with respect to the approval of the Company’s licenses;
- expectations with respect to the future growth of its medical and recreational cannabis products;
- the medical benefits, safety, efficacy, dosing and social acceptance of cannabis;
- the Company’s competitive position and the regulatory environment in which the Company operates;
- the Company’s expected business objectives for the next twelve months;
- the Company’s plans with respect to the payment of dividends;
- the Company’s ability to obtain additional funds through the sale of equity or debt commitments;
- the future growth of the cannabis industry;
- the ability of the Company’s products access markets;
- the Company’s ability to expand into international markets;
- the Company’s relationship with its distribution partners;
- CBD oil processing efficiency and sales; and
- the variability of hemp farming.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company’s ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company’s ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company’s competitors; and (ix) that the Company’s current good relationships with its suppliers, service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on

these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- the Company is reliant on government-issued cultivation licenses to produce cannabis products in Canada;
- the Company is subject to changes in Canadian laws regulations and guidelines which could adversely affect the Company's future business and financial performance;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- the Company faces competition from other companies where it will conduct business and those companies may have a higher capitalization, more experienced management or may be more mature as a business;
- the Company is reliant on management. If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- there is no assurance that the Company will obtain and retain any relevant licenses and its business is dependent upon such licenses;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company expects to sell additional equity securities or secure debt facilities for cash to fund operations, capital expansion, mergers and acquisitions, which would have the effect of diluting the ownership positions of the Company's current shareholders;
- the Company currently has certain insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the cultivation of cannabis and hemp includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies;
- under current and proposed Canadian regulations, as a licensed producer ("**Licensed Producer**") of cannabis, the Company may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- the Company is operating at a regulatory frontier. The cannabis industry is relatively new and is evolving and it is an industry that may not succeed;
- the Company is vulnerable to rising energy costs;
- the Company may not be able to obtain all necessary licenses, authorizations and permits or complete construction of its facilities on a timely basis, which could, among other things, delay or prevent the Company from becoming profitable;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- the Company cannot assure you that a market will continue to develop or exist for the Common Shares and or what the market price of the Common Shares will be;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company does not anticipate paying cash dividends;
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares; and

- no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under “Risk Factors” should be considered carefully by readers.

The Company’s forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this Prospectus (or as of the date they are otherwise stated to be made). Although the Company 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. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

All of the forward-looking statements contained in this Prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire Prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan LLP, counsel to the Company, and Baker & McKenzie LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”) as of the date hereof, the Unit Shares, Warrants and Warrant Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), deferred profit sharing plan, registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”) and tax-free savings account (“**TFSA**”) (collectively, “**Deferred Plans**”) provided that (i) the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE), and (ii) in the case of the Warrants, neither the Company, nor any person with whom the Company does not deal at arm’s length, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of the particular Deferred Plan.

Notwithstanding that the Unit Shares, Warrants and Warrant Shares may be a “qualified investment” for a Deferred Plan, the annuitant under an RRSP or RRIF, the holder of a TFSA or RDSP, or the subscriber of an RESP will be subject to a penalty tax if such Unit Shares, Warrants and Warrant Shares are a “prohibited investment” (as defined in the Tax Act) for the RRSP, RRIF, RESP, RDSP or TFSA. The Unit Shares, Warrants and Warrant Shares will generally not be a “prohibited investment” for a particular RRSP, RRIF, RESP, RDSP or TFSA provided that the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP, or the subscriber of the RESP, as the case may be, deals at arm’s length with the Company for purposes of the Tax Act and does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, the Unit Shares and Warrant Shares will not be a prohibited investment if such securities are “excluded property” (as defined in the Tax Act for purposes of these rules) for the particular TFSA, RRSP, RESP, RDSP or RRIF.

Persons who intend to hold Unit Shares, Warrants and Warrant Shares in a trust governed by a Deferred Plan should consult their own tax advisors with respect to the application of these rules in their particular circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar regulatory authority in certain Provinces of Canada are available at www.sedar.com and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- the annual information form of the Company for the financial year ended October 31, 2017 dated December 7, 2018 (the “**Annual Information Form**”);
- the audited consolidated financial statements of the Company, and the notes thereto for the years ended October 31, 2017 and 2016, together with the auditors’ report thereon;
- the management’s discussion and analysis of the Company for the year ended October 31, 2017;
- the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended July 31, 2018, except the notice provided under subparagraph 4.3(3)(a) of National Instrument 51-102 *Continuous Disclosure Obligations*;
- the management’s discussion and analysis of the Company for the three and nine months ended July 31, 2018;
- the management information circular of the Company dated June 25, 2018 prepared in connection with the Company’s annual meeting of shareholders held on August 10, 2018;
- the business acquisition report dated January 25, 2018 regarding the acquisition by the Company of PhyeinMed Inc. (“**PhyeinMed**”);
- the business acquisition report dated December 5, 2018 regarding the acquisition by the Company of Cannacure Corporation (“**Cannacure**”);
- the material change report dated February 1, 2018 regarding the completion of an accepted offer to acquire over 100 acres of farmland in Clearview Township;
- the amended material change report dated February 5, 2018 regarding the change of business to a cannabis issuer, change of name and symbol and resumption of trading;
- the material change report dated January 12, 2018 regarding the change of business to a cannabis issuer, change of name and symbol and resumption of trading;
- the material change report dated November 5, 2018 regarding the completion of acquisition of Cannacure; and
- the material change report dated November 19, 2018 regarding the closing of the Offering.

Material change reports (other than confidential reports), business acquisition reports, annual financial statements, interim financial statements, the associated management’s discussion and analysis and all other documents of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and before completion of the distribution of the Units, will be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or

superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Copies of the documents incorporated herein by reference may also be obtained on request without charge from the Corporate Secretary of the Company at 929 Mainland Street, Vancouver, BC V6B 1S3 Telephone: 1-(604) 628-1767.

THE COMPANY

The Company was incorporated under the laws of the Province of British Columbia on October 25, 2007 as “Trijet Mining Corp.”. Effective March 8, 2013, the Company changed its name to “Umbral Energy Corp.” Upon completion of a fundamental “change of business” pursuant to policies of the CSE on or about January 9, 2018, the Company changed its name to its present name, “Heritage Cannabis Holdings Corp.”

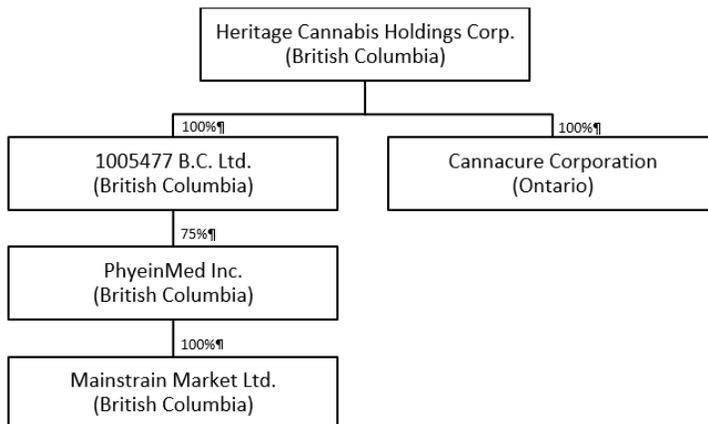
The Company’s head office is located at 929 Mainland Street, Vancouver, BC V6B 1S3 and its registered and records office is located at Suite 1500 – 1055 West Georgia St., Vancouver, BC V6E 4N7.

The Common Shares are listed on the CSE under the trading symbol “CANN”. The Company is a reporting issuer in Canada in the provinces of British Columbia, Alberta, and Ontario.

The Company is focused on developing cannabis based businesses in the emerging Canadian cannabis market. The Company, through its subsidiaries, holds the Cannacure License (as hereinafter defined) and the PhyeinMed License (as hereinafter defined), which were issued by Health Canada pursuant to the Cannabis Regulations. These licenses allow the Company to cultivate at the Fort Erie Facility (as hereinafter defined) and the Falkland Facility (as hereinafter defined). Both facilities will be operated in compliance with the Cannabis Act and Cannabis Regulations, and operations will include the following activities under the Cannabis Act: possess cannabis, obtain dried cannabis, fresh cannabis, cannabis plants or cannabis seeds by cultivating, propagating, harvesting cannabis and sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations. The Company, through its subsidiaries, is in the process of applying for processing licenses under the Cannabis Act to allow for extraction of oils within their licensed footprint.

Intercorporate Relationships

The Company’s subsidiaries are as follows:



Cannacure was incorporated on December 12, 2013 under the *Business Corporations Act* (Ontario). The principal address of Cannacure is 333 Jarvis Street, Fort Erie ON L2A 2S9. The Company owns 100% of the issued and outstanding shares of Cannacure.

PhyeinMed was incorporated on July 4, 2014 under the *Business Corporations Act* (British Columbia) (the “BC Act”). The principal address of PhyeinMed is 929 Mainland Street, Vancouver, BC V6C 2B3 and the registered and records office of PhyeinMed is 3rd Floor, 1665 Ellis Street, Kelowna, BC V1Y 2B3. The Company indirectly owns 75% of the issued and outstanding shares of PhyeinMed.

Mainstrain Market Ltd. was incorporated on March 8, 2018 under the BC Act. Its principal address is 929 Mainland Street, Vancouver, BC V6C 2B3. PhyeinMed owns 100% of the issued and outstanding shares of Mainstrain Market Ltd.

1005477 B.C. Ltd. was incorporated on June 16, 2014 under the BC Act. Its principal address is 929 Mainland Street, Vancouver, BC V6C 2B3. The Company owns 100% of the common shares of 1005477 B.C. Ltd., which holds 75% of the issued and outstanding shares of PhyeinMed.

The Company's Licenses

The following table sets out the Company's licences as at the date of this Prospectus, the allowable activities under each license and status:

- License (the "**Cannacure License**") dated effective as of November 12, 2018 issued by Health Canada to Cannacure, which expires on October 12, 2021. The Cannacure License allows Cannacure to produce at the facility in Fort Erie, Ontario (the "**Fort Erie Facility**") dried cannabis, cannabis plants, fresh cannabis and cannabis seeds and to sell cannabis in accordance with Subsection 11(5) of the Cannabis Regulations; and
- License (the "**PhyeinMed License**") dated effective as of November 9, 2018, issued by Health Canada to PhyeinMed which expires on July 20, 2021. The PhyeinMed License allows PhyeinMed to produce at the Company's facility in Falkland, British Columbia (the "**Falkland Facility**") dried cannabis, cannabis plants, fresh cannabis and cannabis seeds and to sell such cannabis in accordance with Subsection 11(5) of the Cannabis Regulations.

Recent Developments

Acquisition of Cannacure Corporation

On November 5, 2018, the Company acquired Cannacure pursuant to the terms of a definitive agreement dated October 18, 2018 (the "**Arrangement Agreement**"). Pursuant to the Arrangement Agreement, Cannacure and the Company undertook a three-cornered amalgamation for which the Company issued an aggregate of 133,333,326 Common Shares to the former shareholders of Cannacure. Cannacure operates the Fort Erie Facility as discussed below.

Letter of Intent to acquire Purefarma Solutions Inc.

On September 18, 2018, the Company entered into a letter agreement (the "**Purefarma LOI**") to acquire Purefarma Solutions Inc. ("**PSI**"), a cannabinoid extraction company, pursuant to which the Company would acquire 100% of the issued and outstanding shares of PSI in exchange for issuing 33,333,333 Common Shares at a deemed price of \$0.195 per Common Share to the shareholders of PSI. Pursuant to the Purefarma LOI, the Company will pay a cash royalty to PSI shareholders over a four year period based on PSI's cumulative gross margin and an additional royalty in respect of cumulative gross margin related to PSI's extraction business in certain international jurisdictions. The Company will also issue a Common Share earn-out to PSI shareholders over a four year period based on certain cumulative gross margin targets. The acquisition of PSI is subject to the parties entering in a definitive agreement.

GLE Brands Inc.

On April 12, 2018, the Company entered into a branding agreement (the "**GLE Agreement**") with GLE Brands Inc. ("**GLE**"), a branding company representing the 'Cheech's Private Stash' brand of cannabis products. Pursuant to the GLE Agreement, the Company has the exclusive right to use cannabis and cannabis related products utilizing the 'Cheech's Private Stash' brand throughout Canada for an initial period of two years from the date the Federal Government of Canada legalized recreational use of cannabis. The Company has agreed to pay to GLE certain royalties depending upon retail sales targets as well as various milestone payments.

PhyeinMed

The Company entered into a share exchange agreement on December 9, 2014 to acquire all the issued and outstanding shares of 1005477 B.C. Ltd., a holding company which owned 50% of the issued and outstanding common shares of PhyeinMed. The Company paid \$129,500 cash and issued 3,000,000 Common Shares. The Company acquired an additional 25% of PhyeinMed on July 31, 2017 for a total consideration of \$1,144,262 in a combination of \$120,000 in cash and 11,000,000 common shares.

PhyeinMed holds the PhyeinMed License which will allow the Company to produce, at the Falkland Facility, dried cannabis, cannabis plants and fresh cannabis, and to sell cannabis products within Canada in accordance with Subsection 11(5) of the Cannabis Regulations. PhyeinMed entered into a wholesale agreement with Canopy Growth Corporation (“**Canopy**”) to supply cannabis and cannabis products to the recreational marketplace via Canopy’s various sales channels and to the medical marketplace via TweedMainStreet.com.

The Fort Erie Facility

The Company through its subsidiary, Cannacure, holds an option to purchase the Fort Erie Facility (the “**Fort Erie Option**”). The Fort Erie Option has a term of three years from the date on which the Fort Erie Option was amended and restated on July 19, 2018, and allows Cannacure to purchase the Fort Erie Facility for a purchase price of \$2.2 million, plus applicable taxes. To date this option is in good standing.

The Fort Erie Facility is located in the Niagara region in Ontario and covers over 122,000 sq. ft. of flexible space for extraction, manufacture and distribution of cannabis products. Phase 1 was completed in August 2018 and consists of an approximately 24,260 sq. ft. area, which includes a level 10 vault, office space, cultivation and processing rooms. Phase 2, which is intended to be 37,258 sq. ft. and Phase 3, which is intend to be 44,169 sq. ft., will have extraction equipment, expanded grow rooms, with the ability of the Company to add in production space for cannabis edibles once legal. This 122,000 sq. ft. building was formerly a “Good Manufacturing Practice”-certified pharmaceutical facility and provides the Company with optionality and scalability to adapt to the evolving cannabis industry. Phase 2 designs and budgets are being analyzed for future use, the Company will evaluate final expansion plans in Q1 2019.

Leamington, Ontario Facility

Through its subsidiary, Cannacure, the Company holds an option to purchase an 118 acre greenhouse in a Leamington, ON facility (the “**Leamington Facility**”) for \$66 million which expires August 30, 2019. The Company intends to retrofit the significant 3.485 million sq. ft. state-of-the-art automated hydroponic greenhouse that includes 211,000 sq. ft. supportive infrastructure from vegetable production to cannabis production in separate phases to ensure success in each phase. Utilizing greenhouses as a cost-effective option will increase production while substantially reducing operational costs. If the Company exercises its option to purchase the Leamington Facility it will seek to rezone the property. To date this option is in good standing.

The Falkland Facility

The Falkland Facility is located in Falkland, BC, which is located in the Okanagan-Shuswap area. The Falkland Facility is located on 13 acres of land and once fully-constructed is expected to be a 15,500 sq. ft. processing facility with four greenhouses that are presently under construction. The Company intends to eventually add eight additional greenhouses by Q4 2019 that will expand that Company’s cultivation space.

REGULATORY FRAMEWORK

Background

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act and the Cannabis Regulations coming into force, only the sale of medical cannabis was legal and was regulated by the *Access to Cannabis for Medical Purposes Regulations* (the “ACMPR”) made under the *Controlled Drugs and Substances Act* (Canada) (the “CDSA”), and the Cannabis Act and the Cannabis Regulations also replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract. Given that the Cannabis Act and the Cannabis Regulations are very new, the impact of such regulatory changes on the Company’s business is unknown. See “Risk Factors”.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal (i.e., adult use) use, to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. The Cannabis Regulations, among other things, set out regulations relating to the following matters: (1) Licences, Permits and Authorizations; (2) Security Clearances; (3) Cannabis Tracking System; (4) Cannabis Products; (5) Packaging and Labelling; (6) Cannabis for Medical Purposes; and (7) Drugs Containing Cannabis.

Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that was in force immediately before the day on which the Cannabis Act came into force (being October 17, 2018) was deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

Licences, Permits and Authorizations

The Cannabis Regulations establish six classes of licenses under the Cannabis Act: cultivation licenses; processing licenses; analytical testing licenses; sales for licenses; research licenses; and cannabis drug licenses. The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each subclass therein carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each subclass. The Cannabis Regulations provide that all licences issued under the Cannabis Act must include both the effective date and expiry date of the license, and may be renewed on or before the expiry date.

The Cannabis Regulations permit license holders to conduct activities only at the site and building set out in the license (except for destruction, antimicrobial treatment and distribution) and no licensed activities can take place in a “dwelling-house”. The holder of a license must not produce, test, store, package or label cannabis outdoors, except for obtaining cannabis by cultivating, propagating or harvesting it.

Security Clearances

Certain people associated with cannabis licensees, including individuals occupying a “key position” such as directors, officers, large shareholders and individuals identified by the Minister of Health (the “**Minister**”), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences.

Security clearances issued under the ACMPR are considered to be security clearances for the purposes of the Cannabis Act and Cannabis Regulations. In addition, the Cannabis Regulations provide a three-month grace period for current licence holders to identify those individuals that require security clearances and to apply for such security clearances (i.e., until January 17, 2019).

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Regulations provide the Minister with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. The Minister has introduced the Cannabis Tracking and Licensing System, and licence holders are required to use this system to submit monthly reports to the Minister, among other things.

Cannabis Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level and permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds after it has been packaged and labelled for sale to a customer. The THC content and serving size of cannabis products is limited by the Cannabis Regulations. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited but expected to be permitted within one year following the Cannabis Act coming into force. The Cannabis Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Cannabis Regulations include vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labelling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements require plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. The Cannabis Regulations further require mandatory health warnings, standardized cannabis symbol and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator or a manufacturer; (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content. The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

Advertising

The Cannabis Act introduces restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. The Cannabis Regulations do not apply to cannabis-derived ingredients which are exempt from the definition of "cannabis" (such as non-viable seeds, mature stalks without any leaf, flower, seed or branch, roots of cannabis plants). These exempt ingredients, or cannabis-derived ingredients that contain no more than 10 parts per million THC, and which fall within the Industrial Hemp Regulations, can be used in cosmetics and natural health products, so long as no health claims are made.

Cannabis for Medical Purposes

With the Cannabis Act and the Cannabis Regulations having come into force on October 17, 2018, the medical cannabis regime migrated from the CDSA and the ACMPR to the Cannabis Act and the Cannabis Regulations. The medical cannabis regulatory framework under the Cannabis Act and the Cannabis Regulations remains substantively the same as existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under Part 14 of the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with licensed producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as marijuana plants or seeds, must be obtained from licensed producers. Management believes it is possible that (ii) and (iii) could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company. However, management of the Company believes that many patients may be deterred from opting to proceed with options (ii) or (iii) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis.

Provincial Regulatory Framework

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act provides that the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

At present, the Company has entered into third-party supply agreements with distributors in the provinces of Ontario, Manitoba, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

All Canadian provinces and territories have announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are essentially three general frameworks that the provinces and territories have proposed: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g., privately licensed bricks and mortar retail stores, while online retail stores are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market is ultimately supplied by federally licensed cultivators and processors. In many cases, the provinces that have or propose to have privately licensed retailers have or will have a government run wholesaler. Such privately licensed retail stores are or will be required to obtain their cannabis products from the wholesalers, while the wholesalers, in turn, acquire the cannabis products from the federally licensed cultivators and processors. In addition, each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age is 18.

Ontario: In Ontario, the distribution and retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation (“OCRS”), a subsidiary of the Liquor Control Board of Ontario, while recreational cannabis is sold online through the Ontario Cannabis Store platform. Ontario will allow the sale of recreational cannabis by private retailers with a target date of April 1, 2019. In addition, the regulatory regime in Ontario:

- requires private retailers to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. Private retailers are not permitted to sell cannabis on-line, but may only sell cannabis in person at an authorized retail store;
- requires an individual at least 19 years of age who wishes to supervise or manage employees of a cannabis retail store, oversee or co-ordinate the sale of cannabis, manage compliance issues in relation to

the sale of cannabis, or have signing authority to purchase cannabis, enter into contracts or make offers of employment to obtain a cannabis retail manager license;

- limits a person who is authorized by a licence issued under the Cannabis Act to produce cannabis for commercial purposes (and their affiliates) to operating one retail cannabis store, which must be located on or within the site set out in the licence. The term “affiliate” is not currently defined, although it may be in future regulations. The definition of affiliate may have the effect of limiting the ability of federally licensed producers from entering into the consumer retail market in Ontario;
- prohibits federally licensed producers from promoting their products by way of providing any material inducement to cannabis retailers;
- permits municipalities and reserve band councils to opt out of the retail cannabis market by resolution. Municipalities may pass a resolution no later than January 22, 2019. Municipalities that opt out may later lift the prohibition on retail cannabis stores by a subsequent resolution. Municipalities may not pass a bylaw providing for a further system of licensing over the retail sale of cannabis; and
- may impose further restrictions through future regulation. Cannabis retail store operators are only permitted to purchase cannabis from the OCS, which may set a minimum price for cannabis or classes of cannabis.

British Columbia: In British Columbia, recreational cannabis is sold through both public and privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority is to issue approximately 60 retail permits to private operators in as many as 40 Saskatchewan municipalities and First Nation communities, with municipalities and First Nation communities having the option of opting out of having a retail cannabis store if they choose.

Manitoba: In Manitoba, a “hybrid model” for cannabis distribution applies where the supply of cannabis is secured and tracked by the Manitoba Liquor and Lotteries Corp.; however, licensed private retail stores are permitted to sell recreational cannabis.

Québec: In Québec, all recreational marijuana must be managed and sold through outlets of the Société québécoise du cannabis, a subsidiary of the Société des alcools du Québec, and its online site.

New Brunswick: In New Brunswick, recreational cannabis is sold through a network of tightly-controlled, stand-alone stores through Cannabis NB, a subsidiary of the New Brunswick Liquor Corporation.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online.

Prince Edward Island: In Prince Edward Island, similar to Nova Scotia, cannabis must be sold publicly, through government stores and online.

Newfoundland and Labrador: In Newfoundland and Labrador, recreational cannabis must be sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), overseeing the distribution to private sellers who may sell to consumers. The NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licenses may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Yukon: The Yukon limits the initial distribution and sale of recreational cannabis to government outlets and government-run online stores, and allows for the later licensing of private retailers.

Northwest Territories: The Northwest Territories relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut: The Nunavut *Cannabis Act* establishes the licensing system for the retail sale of recreational cannabis. The Nunavut legislation contemplates the sale of cannabis through both public and licensed private retail stores and online. Sales will initially will only be through the Liquor and Cannabis Commission and its agent. Under the Nunavut *Cannabis Act*, a person can submit an application for a licence to operate a cannabis store, remote sales store, or cannabis lounge. This application process will likely not be in place until 2019.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at the dates indicated, adjusted to give effect to the Offering, on the share and loan capital of the Company since July 31, 2018, the date of the Company's most recently filed financial statements. This table should be read in conjunction with the consolidated financial statements of the Company and the related notes and management's discussion and analysis in respect of those statements that are incorporated by reference in this Prospectus.

| | As at July 31, 2018 before giving effect to the Offering | As at July 31, 2018 after giving effect to the Offering | As at July 31, 2018 after giving effect to the Offering and the exercise of the Special Warrants |
|---|--|---|---|
| Share Capital (Common Shares - Authorized: unlimited) | \$17,122,400 177,138,783 common shares | \$17,122,400 177,138,783 common shares | \$24,622,400 207,138,783 common shares |
| Warrants | 19,012,716 | 19,012,716 | 49,012,716 |
| Special Warrants | - | 30,000,000 | - |
| Agents' Special Warrants | - | 1,551,300 | - |
| Agents' Warrants | - | - | 1,551,300 |
| Stock Options | 7,691,000 | 7,691,000 | 7,691,000 |
| Deficit | (\$11,599,901) | (\$11,599,901) | (\$11,599,901) |
| Equity Reserves | \$3,941,203 | \$3,941,203 | \$3,941,203 |
| Total Shareholder's Equity | \$9,713,702 | \$17,213,702 | \$17,213,702 |

There have been no material changes to the Company's share and loan capitalization on a consolidated basis since July 31, 2018 except the following:

- (a) During the period from August 1, 2018 to the date of this Prospectus, the Company issued 19,280,667 Common Shares on the exercise of 19,280,667 warrants at the exercise price of \$0.10 per Common Share;
- (b) During the period August 1, 2018 to the date of this Prospectus, the Company issued 1,750,000 Common Shares on the exercise of 1,750,000 stock options at exercise prices of between \$0.14 and \$0.35;

- (c) On August 21, 2018, the Company issued 6,000,000 Common Shares under the terms of its Restricted Stock Unit plan;
- (d) On November 27, 2018, the Company returned 250,000 Common Shares to treasury;
- (e) On November 5, 2018, the Company issued 133,333,326 Common Shares in connection with the acquisition of Cannacure and 4,000,000 Common Shares in connection with the receipt of the PhyeinMed License; and
- (f) On November 7, 2018, the Company issued 30,000,000 Special Warrants and 1,551,300 Agents' Special Warrants.

USE OF PROCEEDS

Use of Proceeds

The Company has received gross proceeds of \$7,500,000 from the sale of the Special Warrants. The net proceeds to the Company from the Offering is approximately \$6,812,175 after deducting the Agents' Fee and expenses in connection with the Offering and the estimated expenses of the Company in connection with the qualification for distribution of the Units. The Company intends to use the net proceeds from the Offering as set out in the table below:

| | |
|---|--------------------|
| Oil extraction equipment | \$2,000,000 |
| Completing cultivation and processing facilities in British Columbia and Ontario, including completion of greenhouses, purchasing equipment and clones, in order to commence growing operations | \$1,500,000 |
| International supply and distribution expansion | \$1,000,000 |
| Hemp feedstock | \$500,000 |
| General and administrative expenses | \$1,500,000 |
| Working Capital | \$312,175 |
| Total | \$6,812,175 |

Although the Company intends to use the proceeds from the Offering as set forth above, the actual allocation of the net proceeds may vary depending on future developments or unforeseen events. See "Risk Factors – The Company has discretion in the use of net proceeds".

Pending the use of proceeds outlined above, the Company intends to invest the net proceeds of the Offering in investment grade, short-term, interest bearing securities with preservation of capital and short-term liquidity being important investment parameters. The Chief Financial Officer is responsible for executing the Company's investment policies.

The Company had negative cash flow from operating activities for the period ended July 31, 2018. The Company may use proceeds from the distribution under this Prospectus to fund negative cash flows until sufficient revenue is generated. See "Risk Factors – Negative Cash Flow from Operations".

Business Objectives and Milestones

The primary business objectives for the Company over the next 12 months and that the Company expects to accomplish using the net proceeds of the Offering are:

| Milestone | Time Frame | Cost |
|---|------------|-----------|
| Cultivation operations and obtain processing license from Health Canada | Q1 2019 | \$750,000 |
| Secure initial retail location in Alberta | Q1 2019 | \$150,000 |
| Acquire and install oil extraction equipment | Q1 2019 | \$200,000 |
| Secure hemp feedstock and begin processing for medicinal purposes | Q1 2019 | \$500,000 |
| Secure international distribution partner | Q1 2019 | \$250,000 |
| Buildout medical subsidiary | Q2 2019 | \$250,000 |
| Complete construction on 10 greenhouses in British Columbia | Q4 2019 | \$750,000 |

PLAN OF DISTRIBUTION

This prospectus is being filed in the Provinces of British Columbia, Alberta, Ontario and Nova Scotia to qualify the distribution of 30,000,000 Units issuable upon the exercise or deemed exercise of 30,000,000 Special Warrants.

On November 7, 2018, the Company completed the Offering of 30,000,000 Special Warrants pursuant to prospectus exemptions under applicable securities legislation in each of the Provinces of British Columbia, Alberta, Ontario and Nova Scotia (and in jurisdictions outside of Canada in compliance with laws applicable therein) on a best-efforts agency private placement basis at the Offering Price per Special Warrant, which was determined by arm's length negotiation between the Company and the Agents.

Each Special Warrant entitles its holder to receive, subject to adjustment in certain circumstances and the Penalty Provision, upon exercise or deemed exercise, one Unit at no additional cost. Each Special Warrant shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof, on the Deemed Exercise Date, being the earlier of: (i) the date which is three business days following the Prospectus Qualification; and (ii) 4:59 p.m. (Toronto time) on March 8, 2019. The Company has agreed to use reasonable commercial efforts to file and obtain the Final Receipt to qualify the Units issuable upon exercise or deemed exercise of the Special Warrants on or before the Qualification Deadline, being January 6, 2019, 60 days after the Closing Date. If the Final Receipt is not received on or before the Qualification Deadline, each holder of a Special Warrant shall be entitled to receive, without payment of additional consideration, 1.10 Units per Special Warrant (in lieu of 1.0 Unit) upon the exercise or deemed exercise of the Special Warrants. In the event that the Company fails to obtain the Final Receipt by the Qualification Deadline, it shall nonetheless continue to use its best efforts to obtain the Final Receipt as soon as possible thereafter. This Prospectus also qualifies the distribution of any Additional Units upon the deemed exercise of the Special Warrants.

The Warrants are issuable pursuant to the Warrant Indenture. Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of \$0.35 per Warrant

Share until the date this is the earlier of: (i) May 7, 2021, and (ii) 30 days following the date of a Warrant acceleration notice as provided for in the Warrant Indenture.

Pursuant to the Agency Agreement, the Company paid the Agents' a cash fee of 6.0% of the gross proceeds from the Offering excluding proceeds received from President's List purchasers, on which no Agents' Fee was paid. The Company also issued to the Agents as additional compensation Agents' Special Warrants equal to 6% of the Special Warrants sold under the Offering excluding Special Warrants sold to President's List purchasers, for which no Agents' Special Warrants were issued. Each Agents' Special Warrant entitles the holder to receive one Agents' Warrant upon exercise of deemed exercise of an Agents' Special Warrant for no additional consideration. Any Agents' Special Warrant not yet exercised by the Deemed Exercise Date will be deemed exercised on the Deemed Exercise Date. Each Agents' Warrant entitles the holder thereof to purchase one Agents' Warrant Share at an exercise price equal to the Offering Price for a period of 30 months after the Closing Date. This Prospectus qualifies the distribution of the Agents' Warrants. The Company has agreed to reimburse the Agents for certain expenses related to the Offering. There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering other than the payments to be made to the Agents in accordance with the terms of the Agency Agreement.

The Underlying Shares and Warrants have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and, subject to certain exceptions, may not be offered or sold in the United States.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. Persons (as such term is defined in the U.S. Securities Act). None of the Special Warrants, Underlying Shares and Warrants have been or will be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Company has agreed, pursuant to the Agency Agreement, to indemnify the Agents and selling firms and each of their respective affiliates and subsidiaries and their respective directors, officers, employees, partners and agents against certain liabilities, including liabilities under Canadian securities legislation in certain circumstances or to contribute to payments the Agents may have to make because of such liabilities.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Description of Special Warrants

The Special Warrants are governed by the terms and conditions set forth in the Special Warrant Indenture. An aggregate of 30,000,000 Special Warrants are outstanding as of the date of this Prospectus. The material terms and conditions of the Special Warrants are summarized below:

- each of the Special Warrants entitles the holder thereof to acquire, for no additional consideration, one Unit for each Special Warrant, subject to adjustment as provided for in the Special Warrant Indenture;
- the Special Warrants will be deemed to be exercised into the Units on the Deemed Exercise Date;
- the Special Warrant Indenture provides for and contains provisions designed to keep the holders of the Special Warrants unaffected by the possible occurrence of certain corporate events, including the amalgamation, merger or corporate reorganization of the Company;
- the holders of Special Warrants do not have any right or interest whatsoever as shareholders of the Company, including but not limited to any right to vote at, to receive notice of, or to attend, any meeting of shareholders or any other proceedings of the Company or any right to receive any dividend or other distribution;

- the rights of holders of Special Warrants may be modified by extraordinary resolution at a meeting of Special Warrant holders. The Special Warrant Indenture provides for meetings by holders of Special Warrants and the passing of resolutions and extraordinary resolutions by such holders which are binding on all holders of Special Warrants. Certain amendments to the Special Warrant Indenture may only be made by “extraordinary resolution”, which is defined in the Special Warrant Indenture as a resolution proposed at a meeting of Special Warrant holders duly convened for that purpose at which there are present in person or by proxy Special Warrant holders holding at least 25% of the aggregate number of the then outstanding Special Warrants passed by the affirmative votes of Special Warrant holders holding not less than 66⅔% of the aggregate number of the then outstanding Special Warrants represented at the meeting and voted on the poll upon such resolution;
- the Special Warrant Indenture may be amended by agreement between the Company and Computershare (on its behalf and on behalf of the Special Warrant holders); and
- the Company has agreed to provide to the holders of the Special Warrants a contractual right of rescission.

The foregoing is a summary description of certain material provisions of the Special Warrant Indenture, it does not purport to be a comprehensive summary and is qualified in its entirety by reference to the more detailed provisions of the Special Warrant Indenture, a copy of which may be obtained on request without charge from the Company at its registered office or electronically on SEDAR at www.sedar.com.

Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of Common Shares after payment of the Company’s creditors. All Common Shares, when issued, will be fully paid and non-assessable. There are no pre-emptive rights or conversion rights attached to the Common Shares. There are also no redemption, retraction or purchase for cancellation or surrender provisions, sinking or purchase fund provisions, or any provisions as to the modification, amendment or variation of any such rights or provisions attached to the Common Shares. Subject to the BC Act, the Company may, if authorized by the directors, purchase, redeem or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

Provisions as to the modification, amendment or variation of the rights attached to the Common Shares are contained in the Company’s articles and the BC Act. Generally speaking, subject to the BC Act, the Company may by ordinary resolution, create, attach, vary or delete any special rights or restrictions to the Common Shares, whether or not any or all of those shares have been issued.

Warrants

The Warrants will be governed by the terms of the Warrant Indenture. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture. Reference is made to the Warrant Indenture for the full text of the attributes of the Warrants which is filed under the Company’s corporate profile on SEDAR. A register of holders is maintained at the principal offices of Computershare in Vancouver, British Columbia.

Each Warrant will entitle the holder to acquire, subject adjustment in certain circumstances, one Warrant Share at an exercise price of \$0.35 until 4:59 p.m. (Eastern time) until the date this is the earlier of: (i) May 7, 2021, and (ii) 30 days following the date of a Warrant acceleration notice as provided for in the Warrant Indenture, after which time the Warrants will be void and of no value.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than a distribution of Common Shares upon the exercise of Warrants or any outstanding options);
- (ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (iii) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;
- (iv) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for the Common Shares on such record date; and
- (v) the distribution to all or substantially all of the holders of the Common Shares of shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares other than pursuant to item (iv) above, of evidences of indebtedness, or any property or other assets.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (a) reclassifications of the Common Shares or a capital reorganization of the Company (other than as described in items (i) to (iii) above), (b) consolidations, amalgamations, arrangements or mergers of the Company with or into another entity, or (c) any sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to another entity, in which case each holder of a Warrant which is thereafter exercised will receive, in lieu of Common Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

The Company also covenants in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to Computershare and to holders of Warrants of its intention to fix a record date for events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date of such events.

No fractional Common Shares will be issuable to any holder of Warrants upon the exercise thereof, and no cash or other consideration will be paid in lieu of fractional shares. The holding of Warrants will not make the holder thereof a shareholder of the Company or entitle such holder to any right or interest in respect of the Warrants except as expressly provided in the Warrant Indenture. Holders of Warrants will not have any voting or pre-emptive rights or any other rights of a holder of Common Shares.

The Warrant Indenture provides that, from time to time, Computershare and the Company, without the consent of the holders of Warrants, may be able to supplement the Warrant Indenture for certain purposes, including rectifying any ambiguities, defective provisions, clerical omissions or mistakes, or other errors contained in the Warrant Indenture or in any deed or indenture supplemental or ancillary to the Warrant Indenture, provided that, in the opinion of Computershare, relying on counsel, the rights of the holders of Warrants are in no way prejudiced. Any supplement to the Warrant Indenture that is prejudicial to the interests of the holders of Warrants, will be subject to approval by an “Extraordinary Resolution”, which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66²/₃% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 75% of the number of all of the then outstanding Warrants.

The principal transfer office of Computershare in Vancouver, British Columbia is the location at which Warrants may be surrendered for exercise or transfer.

PRIOR SALES

The following table summarizes details of the securities issued by the Company during the 12-month period prior to the date of this prospectus.

Common Shares

| Date of issuance | Type of security issued | Number of securities issued | Issue/exercise price per security |
|------------------|-------------------------|-----------------------------|-----------------------------------|
| January 10, 2018 | Common Shares | 2,570,000 | \$0.14 |
| January 11, 2018 | Common Shares | 50,000 | \$0.14 |
| January 11, 2018 | Common Shares | 1,500,000 | \$0.06 |
| January 11, 2018 | Common Shares | 80,000 | \$0.10 |
| January 12, 2018 | Common Shares | 1,400,000 | \$0.10 |
| January 15, 2018 | Common Shares | 400,000 | \$0.14 |
| January 15, 2018 | Common Shares | 1,969,210 | \$0.10 |
| January 17, 2018 | Common Shares | 1,000,000 | \$0.14 |
| January 17, 2018 | Common Shares | 2,900,000 | \$0.10 |
| January 17, 2018 | Common Shares | 300,000 | \$0.06 |
| January 18, 2018 | Common Shares | 190,000 | \$0.10 |
| January 19, 2018 | Common Shares | 200,000 | \$0.065 |
| January 22, 2018 | Common Shares | 600,000 | \$0.10 |
| January 23, 2018 | Common Shares | 790,000 | \$0.10 |
| January 24, 2018 | Common Shares | 300,000 | \$0.59 |
| January 24, 2018 | Common Shares | 300,000 | \$0.06 |
| January 24, 2018 | Common Shares | 250,000 | \$0.10 |
| January 25, 2018 | Common Shares | 100,000 | \$0.06 |
| January 25, 2018 | Common Shares | 50,000 | \$0.10 |
| January 26, 2018 | Common Shares | 1,050,000 | \$0.10 |

| Date of issuance | Type of security issued | Number of securities issued | Issue/exercise price per security |
|-------------------|-------------------------|-----------------------------|-----------------------------------|
| January 29, 2018 | Common Shares | 930,760 | \$0.10 |
| January 30, 2018 | Common Shares | 1,850,000 | \$0.10 |
| January 31, 2018 | Common Shares | 1,400,000 | \$0.10 |
| February 1, 2018 | Common Shares | 600,000 | \$0.065 |
| February 1, 2018 | Common Shares | 508,800 | \$0.10 |
| February 2, 2018 | Common Shares | 350,000 | \$0.10 |
| February 6, 2018 | Common Shares | 2,200,000 | \$0.10 |
| February 6, 2018 | Common Shares | 560,000 | \$0.06 |
| February 7, 2018 | Common Shares | 809,999 | \$0.10 |
| February 8, 2018 | Common Shares | 650,000 | \$0.10 |
| February 8, 2018 | Common Shares | 200,000 | \$0.06 |
| February 14, 2018 | Common Shares | 200,000 | \$0.10 |
| February 19, 2018 | Common Shares | 200,000 | \$0.14 |
| February 20, 2018 | Common Shares | 50,000 | \$0.14 |
| February 21, 2018 | Common Shares | 833,334 | \$0.10 |
| February 28, 2018 | Common Shares | 250,000 | \$0.10 |
| March 2, 2018 | Common Shares | 300,000 | \$0.10 |
| March 5, 2018 | Common Shares | 425,000 | \$0.10 |
| March 7, 2018 | Common Shares | 100,000 | \$0.10 |
| March 8, 2018 | Common Shares | 200,000 | \$0.14 |
| March 9, 2018 | Common Shares | 400,000 | \$0.06 |
| March 9, 2018 | Common Shares | 591,450 | \$0.10 |
| March 21, 2018 | Common Shares | 300,000 | \$0.10 |
| March 23, 2018 | Common Shares | 920,000 | \$0.10 |
| March 28, 2018 | Common Shares | 420,000 | \$0.10 |

| Date of issuance | Type of security issued | Number of securities issued | Issue/exercise price per security |
|------------------|-------------------------|-----------------------------|-----------------------------------|
| March 29, 2018 | Common Shares | 500,000 | \$0.10 |
| April 3, 2018 | Common Shares | 250,000 | \$0.14 |
| May 3, 2018 | Common Shares | 55,000 | \$0.10 |
| May 7, 2018 | Common Shares | 400,000 | \$0.06 |
| May 8, 2018 | Common Shares | 140,000 | \$0.10 |
| May 14, 2018 | Common Shares | 114,000 | \$0.54 |
| May 17, 2018 | Common Shares | 400,000 | \$0.08 |
| May 23, 2018 | Common Shares | 75,000 | \$0.10 |
| June 8, 2018 | Common Shares | 225,000 | \$0.54 |
| July 9, 2018 | Common Shares | 300,000 | \$0.10 |
| July 16, 2018 | Common Shares | 100,000 | \$0.10 |
| July 20, 2018 | Common Shares | 200,000 | \$0.10 |
| July 20, 2018 | Common Shares | 1,506,133 | \$0.10 |
| July 20, 2018 | Common Shares | 600,000 | \$0.10 |
| July 23, 2018 | Common Shares | 4,000,000 | \$0.09 (deemed) |
| July 31, 2018 | Common Shares | 750,000 | \$0.10 |
| August 1, 2018 | Common Shares | 417,000 | \$0.10 |
| August 3, 2018 | Common Shares | 200,000 | \$0.10 |
| August 8, 2018 | Common Shares | 670,000 | \$0.10 |
| August 10, 2018 | Common Shares | 390,000 | \$0.10 |
| August 13, 2018 | Common Shares | 200,000 | \$0.10 |
| August 14, 2018 | Common Shares | 166,666 | \$0.10 |
| August 15, 2018 | Common Shares | 2,333,333 | \$0.10 |
| August 16, 2018 | Common Shares | 2,483,334 | \$0.10 |
| August 17, 2018 | Common Shares | 5,715,000 | \$0.10 |

| Date of issuance | Type of security issued | Number of securities issued | Issue/exercise price per security |
|--------------------|-------------------------|-----------------------------|-----------------------------------|
| August 20, 2018 | Common Shares | 300,000 | \$0.10 |
| August 21, 2018 | Common Shares | 6,000,000 | \$0.245 |
| August 21, 2018 | Common Shares | 730,000 | \$0.10 |
| August 24, 2018 | Common Shares | 5,023,334 | \$0.10 |
| August 27, 2018 | Common Shares | 152,000 | \$0.10 |
| September 4, 2018 | Common Shares | 50,000 | \$0.10 |
| September 12, 2018 | Common Shares | 1,500,000 | \$0.14 |
| October 2, 2018 | Common Shares | 450,000 | \$0.10 |
| November 5, 2018 | Common Shares | 137,333,326 | \$0.30 (deemed) |

Special Warrants

| Date of issuance | Type of security issued | Number of securities issued | Issue/Exercise Price per security |
|------------------|-------------------------|-----------------------------|-----------------------------------|
| November 7, 2018 | Special Warrants | 30,000,000 | \$0.25 |

Agents' Special Warrants

| Date of issuance | Type of security issued | Number of securities issued | Issue/Exercise Price per security |
|------------------|--------------------------|-----------------------------|-----------------------------------|
| November 7, 2018 | Agents' Special Warrants | 1,551,300 | \$0.25 |

Stock Options

| Date of issuance | Type of security issued | Number of securities issued | Exercise Price per security |
|------------------|-------------------------|-----------------------------|-----------------------------|
| January 22, 2018 | Stock Options | 700,000 | \$0.59 |
| March 19, 2018 | Stock Options | 861,000 | \$0.54 |
| April 30, 2018 | Stock Options | 1,250,000 | \$0.35 |

TRADING PRICE AND VOLUME

The Common Shares are listed on the CSE under the trading symbol “CANN”. The following table sets forth information relating to the trading of the Common Shares on the CSE for the months indicated.

| Month | CSE Price Range (\$) | | Total Volume |
|----------------------|----------------------|-------|--------------|
| | High | Low | |
| December 2017 | N/A | N/A | 0 |
| January 2018 | 0.84 | 0.455 | 97,961,744 |
| February 2018 | 0.74 | 0.40 | 88,217,521 |
| March 2018 | 0.58 | 0.455 | 28,660,703 |
| April 2018 | 0.48 | 0.295 | 34,668,691 |
| May 2018 | 0.36 | 0.22 | 37,884,832 |
| June 2018 | 0.375 | 0.25 | 21,101,879 |
| July 2018 | 0.36 | 0.26 | 17,016,131 |
| August 2018 | 0.335 | 0.19 | 20,868,525 |
| September 2018 | 0.345 | 0.25 | 28,618,145 |
| October 2018 | 0.34 | 0.21 | 34,030,293 |
| November 2018 | 0.25 | 0.15 | 30,170,006 |
| December 3 - 6, 2018 | 0.20 | 0.16 | 5,126,804 |

RISK FACTORS

An investment in the securities of the Company is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company’s business operations.

Prospective investors should carefully consider all information contained in this Prospectus, including all documents incorporated by reference, and in particular should give special consideration to the risk factors under the section titled “Risk Factors” in the Annual Information Form, which is incorporated by reference in this Prospectus and which may be accessed on the Company’s SEDAR profile at www.sedar.com, and the information contained in the section entitled “Cautionary Statement Regarding Forward-Looking Information”. Additionally, purchasers should consider the risk factors set forth below.

The risks and uncertainties described or incorporated by reference in this Prospectus are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company’s business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Common Shares could decline and investors could lose all or part of their investment.

The Company has discretion in the use of net proceeds

The Company intends to use the net proceeds from the Offering as set forth under “Use of Proceeds”; however, the Company maintains broad discretion to use the net proceeds from the Offering in ways that it deems

most efficient. The Company has no plans to use the net proceeds or to engage in any cannabis-related activities in the United States as long as such activities remain federally illegal. The failure to apply the net proceeds as set forth under “Use of Proceeds” and other financings could adversely affect the Company’s business and, consequently, could adversely affect the price of the Underlying Shares on the open market.

Negative Cash Flow from Operations

During the fiscal year ended October 31, 2017 and the three and nine month period ended July 31, 2018, the Company had negative cash flow from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities, if any.

Holder of Common Shares will be diluted.

The Company may issue additional securities in the future, which may dilute a shareholder’s holdings in the Company. The Company’s articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise or deemed exercise of the Special Warrants and upon the exercise of the Warrants.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a beneficial owner of Special Warrants who acquires Unit Shares and Warrants pursuant to the deemed exercise of Special Warrants. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to persons who, for the purposes of the application of the Tax Act and at all relevant times: (i) deal at arm’s length with the Company and the Agents and are not affiliated with the Company or the Agents; and (ii) acquired and holds the Special Warrants, and will acquire and hold any Common Shares and Warrants, as capital property. Persons meeting such requirements are referred to as a “**Holder**” or “**Holder**s” herein, and this summary only addresses such Holders. Special Warrants, Common Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act for the purpose of the mark-to-market rules; (ii) an interest in which would be a “tax shelter investment”, as defined in the Tax Act; (iii) that is a “specified financial institution”, as defined in the Tax Act; (iv) that has made an election under the Tax Act to determine its Canadian tax results in a foreign currency; (v) that enters into, with respect to Special Warrants, Common Shares or Warrants, a “derivative forward agreement” (as defined in the Tax Act); or (vi) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Special Warrants, Common Shares or Warrants, controlled by a non-resident corporation for purposes of foreign affiliate dumping rules in section 212.3 of the Tax Act. All such Holders should consult their own tax advisors with respect to their own particular circumstances.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of

Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein. This summary also does not take into account the specific tax treatment of passive investment income earned through a private corporation or the impact of Proposed Amendments in this regard, and affected Holders should consult their own tax advisors accordingly.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Acquisition of Unit Shares and Warrants and Allocation of Cost

A Holder of Special Warrants will not realize any gain or loss on the acquisition of Unit Shares and Warrants on the exercise or deemed exercise of Special Warrants. Holders will be required to allocate on a reasonable basis their cost of the Special Warrants between the Unit Shares and Warrants in order to determine their respective costs for purposes of the Tax Act. The CRA is not bound by a Holder's allocation.

The Holder's adjusted cost base of the Unit Shares will be determined by averaging the cost of the Unit Shares with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder on the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "**Resident Holder**"). Persons who are residents of Canada for purposes of the Tax Act and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares, and every other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Persons whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Special Warrants or Warrants.

Expiry of Warrants

The expiry of an unexercised Warrant will generally result in a capital loss to the Resident Holder equal to the adjusted cost base of the Warrant to the Resident Holder immediately before its expiry. See the discussion below under the heading "Taxation of Capital Gains and Capital Losses".

Dispositions of Common Shares and Warrants

On a disposition or deemed disposition of a Common Share (except to the Company) or a Warrant (other than on the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Resident Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Resident Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading "Taxation of Capital Gains and Capital Losses".

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on a disposition of Common Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or where a partnership or trust, of which a corporation is a member or a beneficiary, is a member of a partnership or a beneficiary of a trust that owns Common Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may also be liable for a special tax (refundable in certain circumstances) on “aggregate investment income” (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

Dividends

Dividends received or deemed to be received by a Resident Holder on the Common Shares, if any, will be included in computing the Resident Holder’s income for purposes of the Tax Act. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Company provides appropriate notice to the recipient designating the dividend as an “eligible dividend” for purposes of the Tax Act. There may be limitations on the ability of the Company to designate dividends as “eligible dividends”, and the Company has made no commitments in this regard.

Dividends received or deemed to be received on the Common Shares by a Resident Holder that is a corporation must also be included in computing its income but will generally be deductible in computing its taxable income, subject to all restrictions and special rules under the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a special tax (refundable in certain circumstances) under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Common Shares or Warrants in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and

elsewhere, or that is an “authorized foreign bank” (as defined in the Tax Act), and such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Company to a Non-Resident Holder on the Common Shares will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividends, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the Canada-United States Tax Convention (1980), as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions of Common Shares and Warrants

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share or Warrant unless the Common Share or Warrant (as applicable) is, or is deemed to be, “taxable Canadian property” of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Provided that the Common Shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the CSE) at the time of a disposition of a Common Share or Warrant, generally a Common Share or Warrant (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder unless, at any time during the 60 month period immediately preceding the disposition, (i) at least 25% of the issued shares of any class or series of the capital stock of the Company were owned by or belonged to any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length for purposes of the Tax Act, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) at such time, more than 50% of the fair market value of such shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists. Notwithstanding the foregoing, a Common Share or Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Common Share or Warrant that is taxable Canadian property to that Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention, the consequences described above under the headings “Holders Resident in Canada — Dispositions of Common Shares and Warrants” and “— Taxation of Capital Gains and Capital Losses” will generally be applicable to such disposition. Non-Resident Holders who may hold Common Shares or Warrants as taxable Canadian property should consult their own tax advisors.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Morgan & Co. LLP, Chartered Professional Accountants, Vancouver, BC. Morgan & Co. LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

INTERESTS OF EXPERTS

The following are the names of each person or company who has prepared or certified a report, valuation, statement or opinion in this Prospectus, either directly or in a document incorporated by reference, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company:

- Morgan & Company LLP, Chartered Professional Accountants, is the Company's independent auditors and has prepared an independent audit report dated February 19, 2018 in respect of the Company's audited consolidated financial statements for the years ended October 31, 2017 and 2016;
- Morgan & Company LLP, Chartered Professional Accountants, is PhyeinMed's independent auditors and has prepared an independent audit report dated October 18, 2017 in respect of PhyeinMed's financial statements for the year ended October 31, 2016; and
- MNP LLP, Chartered Professional Accountants, is Cannacure's independent auditors and has prepared an independent audit report dated September 20, 2018 in respect of Cannacure's financial statements for the years ended December 31, 2017 and December 31, 2016.

Based on information provided by the relevant persons, and except as otherwise disclosed in this Prospectus, none of the persons or companies referred to above has received or will receive any direct or indirect interests in the Company's property or the property of an associated party or an affiliate of the Company or have any beneficial ownership, direct or indirect, of the Company's securities or of an associated party or an affiliate of the Company. The Company understands that, after reasonable inquiry and as at the date hereof, the experts listed above as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares.

The auditors of the Company are Morgan & Company LLP, Professional Chartered Accountants, Vancouver, British Columbia, who have advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

See also "Legal Matters".

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon by McMillan LLP, on behalf of the Company and by Baker & McKenzie LLP, on behalf of the Agents. As at the date hereof, the "designated professionals" (as such term is defined in Form 51-102F2 – *Annual Information Form*) of McMillan LLP, as a group, and the partners and associates of Baker & McKenzie LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the warrants are offered to the public under the prospectus offering. This means that, under the securities

legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the warrants, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

CONTRACTUAL RIGHT OF RESCISSION

Pursuant to the terms of the Agency Agreement and the subscription agreements between the Company and the purchasers of Special Warrants, the Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Units on the exercise or deemed exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to this Prospectus containing a misrepresentation,

- (a) the holder is entitled to rescission of both the holder's exercise or deemed exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired,
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant, and
- (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

CERTIFICATE OF THE COMPANY

Dated: December 7, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Ontario and Nova Scotia.

(Signed) Clint Sharples
Chief Executive Officer

(Signed) Kristina Khersonski
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) Bradley Culver
Director

(Signed) Debra Senger
Director

CERTIFICATE OF THE AGENTS

Dated: December 7, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Ontario and Nova Scotia.

CORMARK SECURITIES INC.

(Signed) Alfred Avanessy
Managing Director

CANACCORD GENUITY CORP.

(Signed) Jamie Brown
Vice Chairman and
Managing Director, Investment Banking