

## **NOTE TO READER**

This Listing Statement contains a copy of the prospectus of Vapen MJ Ventures Corporation (“Vapen MJ”) dated April 30, 2019 (the “Prospectus”). Section 14 *Capitalization* of the Canadian Securities Exchange’s (the “Exchange’s”) form of Listing Statement has been included following the Prospectus to provide additional disclosure on Vapen MJ, as required by the Exchange.

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## **APPENDIX A**

Prospectus Dated April 30, 2019

*This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities. No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise.*

*These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States.*

## PROSPECTUS

Initial Public Offering

April 30, 2019



### VAPEN MJ VENTURES CORPORATION (formerly Calyx Growth Corporation) (formerly Fabula Exploration Inc.)

#### **1,000,000 Qualified Units issued on exercise or deemed exercise of 1,000,000 Special Warrants**

This prospectus (the “**Prospectus**”) is being filed with the British Columbia Securities Commission (the “**BCSC**”) for the purpose of allowing Vapen MJ Ventures Corporation (the “**Company**”), formerly known as Calyx Growth Corporation, and prior to that, Fabula Exploration Inc., to comply with Policy 2 – *Qualifications for Listing of the Canadian Securities Exchange* of the Canadian Securities Exchange (the “**CSE**”) in order for the Company to meet one of the eligibility requirements for the listing of the Company’s common shares (the “**Subordinated Voting Shares**”) on the CSE by becoming a reporting issuer pursuant to applicable securities legislation in the Province of British Columbia. Upon the final receipt of this Prospectus by the BCSC, the Company will become a reporting issuer in British Columbia.

Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company from its general corporate funds.

This Prospectus qualifies for distribution 1,000,000 units (the “**Qualified Units**”) of the Company issued for no additional consideration upon exercise or deemed exercise of 1,000,000 special warrants (the “**Special Warrants**”) of the Company issued on December 24, 2018 at a price of CAD\$0.25 (the “**Offering Price**”) per Special Warrant to purchasers in certain provinces of Canada on a non-brokered private placement basis pursuant to prospectus exemptions under applicable securities legislation and in jurisdictions outside of Canada in compliance with laws applicable to each subscriber, respectively (the “**Offering**”). Each Qualified Unit consists of one Subordinated Voting Share in the capital of the Company (each, a “**Unit Share**”) and one-half of one Subordinated Voting Share purchase warrant (each whole share purchase warrant, an “**Underlying Warrant**”). Each Underlying Warrant will entitle the holder thereof to acquire one Subordinated Voting Share in the capital of the Company (each, an “**Underlying Share**”) at an exercise price of CAD\$0.25 until December 24, 2019. See “*Plan of Distribution*”.

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

	Price to the Public <sup>(1)</sup>	Agent's Commission	Net Proceeds to the Company <sup>(2)</sup>
<b>Per Special Warrant</b>	CAD\$0.25	Nil	CAD\$0.25
<b>Total</b>	<b>\$185,185</b>	Nil	<b>\$185,185</b>

**Notes:**

- (1) The offering price of the Special Warrants was determined by management of the Company based on the valuation of the Company at the time.
- (2) Before deducting the legal, accounting, and administrative expenses of the Company in connection with the Offering.

Subject to the terms and conditions of the certificates representing the Special Warrants, each of the Special Warrants entitled the holder thereof to acquire, upon voluntary exercise prior to, or deemed exercise on, the Deemed Exercise Date (as defined below), one Qualified Unit, subject to adjustment in certain circumstances, without payment of any additional consideration.

The Special Warrants were deemed to be exercised on the earlier of the third business day after the date on which a receipt for a (final) prospectus has been issued by the securities regulatory authorities in the Province of British Columbia, or the date that is four months and a day from closing of the Offering (the “**Deemed Exercise Date**”), at which time each Special Warrant was automatically exercised for one Unit Share and one-half of one Underlying Warrant, subject to adjustment in certain circumstances, without payment of any additional consideration and without further action on the part of the holder.

Pursuant to the terms of the Special Warrants an aggregate of 1,000,000 Special Warrants were deemed to be exercised on the Deemed Exercise Date of April 25, 2019 and the Company issued 1,000,000 Subordinated Voting Shares and 500,000 Underlying Warrants to the holders of the Special Warrants.

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements in the Province of British Columbia (the “**Qualifying Jurisdiction**”) and in jurisdictions outside of Canada in compliance with laws applicable to each such subscriber, respectively. There is no market through which the Special Warrants may be sold and none is expected to develop. However, pursuant to the terms and conditions of the certificates representing the Special Warrants, the Special Warrants were deemed to be exercised on the Deemed Exercise Date.

In the event that a holder of Special Warrants exercises such securities prior to the earlier of the Qualification Date and the date which is four months and one day after the original date of issuance of the Special Warrants, the Unit Shares and Underlying Warrants issued upon exercise of such Special Warrants will be subject to statutory hold periods under applicable securities legislation and shall bear such legends as required by securities laws. No Special Warrants were exercised prior to the Deemed Exercise Date.

No additional proceeds were received by the Company in connection with the issuance of the Qualified Units upon exercise or deemed exercise of the Special Warrants.

On April 30, 2019, the Company received conditional approval to its application for listing on the Canadian Securities Exchange (the “CSE”). Listing is subject to the Company fulfilling all of the listing requirements of the CSE, including meeting all minimum listing requirements.

**There is currently no market through which any of the securities of the Company may be sold and holders of the Company's securities may not be able to resell any such securities. This may affect the pricing of the Company's securities in the secondary market, the transparency and availability of trading prices, the**

**liquidity of the securities, and the extent of issuer regulation.**

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America.

An investment in the securities of the Company is speculative and involves a high degree of risk. In reviewing this Prospectus, you should carefully consider the matters described under the heading “*Risk Factors*”. **In particular, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers, and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life. No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus. In addition, the Company has historically, and continues to have, access to equity financing from prospectus exempt (private placement) markets in Canada. Specifically: (i) From incorporation to December 31, 2018, the Company has issued 630,500 Subordinated Voting Shares in initial financing rounds for gross proceeds of \$16,944; and (ii) in connection with the New Gen Transaction, the Company issued 7,395,461 Subordinated Voting Shares and 625,287 Super Voting Shares upon closing of the New Gen Transaction. Going forward, the Company expects New Gen and its subsidiaries to be self-sustaining and, accordingly, no funds will be repatriated from the United States to the Company in Canada, and any future debt or equity financings will be funding the Company’s operations. The Company expects to use primarily equity financings to fund the operations of the Company and any expansion or business development plans of New Gen and New Gen’s subsidiaries. Any future debt financings will be at the subsidiary level, not the parent company level, and would be expected to be repaid out of operating cash flow. Management of the Company does not expect to pay cash dividends in the foreseeable future as it expects that shareholders of the Company will realize profit from capital gains and not cash dividends. Management of the Company will ensure there is adequate working capital to satisfy listing requirements and to maintain its status as a reporting issuer. However, there is no guarantee that the Company will be able to achieve these objectives. See “Risk Factors”.**

As at December 31, 2018, the Company was dependent on HWC from its consulting business segment (See Note 15 of the consolidated financial statements of the Company and New Gen for the year ended December 31, 2018). The majority (\$13,113,105) of the Company’s accounts receivable are from HWC. The Company has taken an allowance for all receivables earned prior to December 31, 2015, as the Company is of the opinion that HWC did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at December 31, 2018, it is not exposed to significant credit risk from HWC, as \$3,827,804 of the outstanding accounts receivables were received by the Company subsequent to the year ended December 31, 2018, with the Company continuing to receive payments until the date of its financial statements. An aggregate amount of \$13,081,564 was collected from HWC during 2018 and \$8,832,831 of that aggregate collected amount was applied to the December 31, 2017 accounts receivable, leaving the \$14,372,999 allowance amount uncollected. The remaining balance of \$4,248,751 out of the aggregate amount of \$13,081,564 was applied against 2018 invoices. The Company has assessed that the trade receivables outstanding as of the date of the Prospectus can be collected and no allowance is required. HWC is a non-profit entity, which, depending on the year, can have higher or lower sales and increasing or decreasing costs, all of which affect its cash flows and ability to make payments to New Gen. From 2012 – 2015, HWC operated as a startup company and accordingly did not have sufficient cash flow to cover its payables. HWC’s cash flow and ability to pay New Gen invoices have increased significantly, and in recent years HWC has had sufficient cash flow to cover payables to New Gen. Non-profit entities, while they cannot have profits, can have surpluses or deficits of cash. New Gen will continue to review the yearly payments against accounts receivable balances but at this point New Gen management believes there should not be any further allowances established. However, there is a risk that the Company may write off trade receivables from HWC in the future and the Company may have going concern risks if that occurs. See “Risk Factors”.

No person has been authorized to provide any information or to make any representation not contained in this Prospectus and, if provided or made, such information or representation should not be relied upon. The information contained in this Prospectus is accurate only as of the date of this Prospectus.



The Company has two classes of issued and outstanding shares: the Subordinated Voting Shares and the Super Voting Shares of the Company. The Subordinated Voting Shares are “restricted securities” within the meaning of such term under applicable Canadian securities laws. Each Subordinated Voting Share is entitled to one vote per Subordinated Voting Share and each Super Voting Share is currently entitled to 100 votes per Super Voting Share on all matters upon which the holders of shares of the Company are entitled to vote, and holders of Subordinated Voting Shares and Super Voting Shares will vote together on all matters subject to a vote of holders of both those classes of shares as if they were one class of shares, except to the extent that a separate vote of holders as a separate class is required by law or provided by the articles of the Company. The holders of Super Voting Shares shall be entitled to receive dividends and distributions payable in respect of Subordinated Voting Shares, out of any cash or other assets legally available therefor, received by shareholders, distributed among the Super Voting Shareholders and the holders of Subordinated Voting Shares based on (i) the number of Subordinated Voting Shares and (ii) the number of Super Voting Shares (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinated Voting Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations) issued and outstanding on the record date. In the event of any Liquidation Event, the Super Voting Shareholders shall be entitled to receive the assets of the Company, or other consideration payable or distributable as a result of the Liquidation Event, available for distribution to shareholders, distributed among the Super Voting Shareholders and the holders of Subordinated Voting Shares based on (i) the number of Subordinated Voting Shares and (ii) the number of Super Voting Shares (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinated Voting Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations) issued and outstanding on the record date. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Super Voting Shares. See “Description of the Securities” for further details.

Super Voting Shareholders have the following conversion rights:

- (a) **Right to Convert.** Subject to the Conversion Limitations defined herein, each Super Voting Share shall be convertible, at the option of the Super Voting Shareholder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Subordinated Voting Shares as is determined by multiplying the number of Super Voting Shares by the Conversion Ratio applicable to each such share, determined as hereafter provided, in effect on the applicable date the Super Voting Shares are surrendered for conversion.
- (b) **Automatic Conversion.** Each Super Voting Share shall automatically be converted without further action by the Super Voting Shareholder or any other person into Subordinated Voting Shares at the applicable Conversion Ratio immediately upon the earliest of:
  - (i) the Subordinated Voting Shares issuable upon conversion of all the Super Voting Shares are registered for resale and may be sold by the Super Voting Shareholder pursuant to an effective registration statement and/or prospectus covering the Subordinated Voting Shares under the United States Securities Act of 1933, as amended;
  - (ii) the Company files a Securities Exchange Commission Form 20-F to register its Subordinated Voting Shares with the United States Securities and Exchange Commission;
  - (iii) the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934;
  - (iii) the Subordinated Voting Shares are listed or quoted (and are not suspended from trading) on a national securities exchange in the United States registered under Section 6 of the U.S. Securities Exchange Act of 1934, as amended, or quoted in a “U.S. automated inter-dealer quotation system”, as such term is used for purposes of Rule 144A(d)(3)(i); or
  - (iv) if the Company determines that it has ceased to be a Foreign Private Issuer, as such term is defined in Rule 902(e) of the U.S. Securities Act, and has notified the holders of the Super Voting Shares of such determination.

## **Conversion Limitations**

Before any Super Voting Shareholder can be entitled to convert Super Voting Shares into Subordinated Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation set forth shall apply to the conversion of Super Voting Shares. A “Conversion Limitation” means the Foreign Private Issuer Protection Limitation. The Company will use commercially reasonable efforts to maintain its status as a “foreign private issuer” (“Foreign Private Issuer”, as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended) and to avoid being categorized as a “Domestic Issuer” under applicable United States securities laws (being a U.S. issuer or a non-U.S. issuer that has a majority (50.1% or more) of its outstanding voting securities held by U.S. residents and either the majority of the executive officers or directors are U.S. citizens or residents, a majority of the assets of the issuer are located in the U.S., or the business of the issuer is administered principally in the U.S.) or would become a Domestic Issuer as a result of the issuance of Subordinated Voting Shares upon the conversion of a Super Voting Share. See “Description of the Securities” for further details.

Management is of the opinion that the company meets the definition of “foreign private issuer” as follows:

A foreign company will qualify as a foreign private issuer if 50% or less of its outstanding voting securities are held by U.S. residents; or if more than 50% of its outstanding voting securities are held by U.S. residents and none of the following three circumstances applies: the majority of its executive officers or directors are U.S. citizens or residents; more than 50% of the issuer’s assets are located in the United States; or the issuer’s business is administered principally in the United States. These tests are found in Securities Act Rule 405 and Exchange Act Rule 3b-4.

The SEC Staff has confirmed that an issuer may choose between the absolute number of voting securities held outside and inside the United States, or the voting power held outside and inside the United States [Securities Act CDIs, Question 203.17.]. If non-US residents hold super voting shares, the company should run the FPI test based on voting power. On the other hand, if U.S. residents hold super voting shares (as is the case for the company) and non-residents hold many low voting shares, the company should run the FPI test based on the absolute number of voting securities.

Based on the absolute number of voting securities, management believes that the company qualifies as a foreign private issuer under applicable U.S. securities laws because 50% or less of the absolute number of voting securities is held by U.S. residents.

The Company currently has no intention of pursuing a listing on a national securities exchange in the United States. For this reason, the Company intends to maintain its “foreign private issuer” status under applicable U.S. securities laws until it is prepared to list the Subordinated Voting Shares on a national securities exchange in the United States.

Being a foreign private issuer provides certain exemptions and accommodations from the stricter reporting and compliance requirements and rules applicable to U.S. domestic companies. These advantages include foreign private issuer exemptions for issuances of securities outside the United States which can equal faster market access; foreign exemptions from SEC Exchange Act reporting under 12g3-2(b); no Sarbanes-Oxley requirements for non-SEC reporting issuers; and foreign private issuer exemptions for merger and acquisition transactions. The Company, if it loses its foreign private issuer status, faces the risks of SEC registration or qualification under Regulation A+; no exemptions from SEC Exchange Act registration; all unregistered securities being subject to a one-year regulation S distribution compliance period; not being able to rely on exemptions and accommodations for foreign private issuers; and being subject to Sarbanes-Oxley requirements for SEC reporting issuers, including the SOX 404 requirement for internal controls and audit. See “Risk Factors” for further details.

The Company’s directors and officers as a group, beneficially own, directly and indirectly, or exercise control or direction over, 1,838,868 Subordinated Voting Shares, representing 15.95% of the issued and outstanding Subordinated Voting Shares as of the date of this Prospectus. Assuming the conversion of all issued and outstanding Super Voting Shares into Subordinated Voting Shares, the Company’s directors and officers as a group, would beneficially own, directly and indirectly, or exercise control or direction over, 64,367,568 Subordinated Voting Shares, representing 85.76% of the issued and outstanding Subordinated Voting Shares as of the date of such conversion, on a partially diluted basis, and 64,567,568 Subordinated Voting Shares, representing 79.75% on a fully diluted basis. See “Directors and Executive Officers” for further details.

Three of the persons providing a certificate under part 5 of National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. The individuals, Jason T. Nguyen, Robert J. Brilon, and Dr. Jonathan Shelton have each appointed Buttonwood Law Corporation of Suite 1510, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2, as their respective agent for service of process in British Columbia. **It may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada even if the party has appointed an agent for service of process.**

**This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.**

Unless otherwise noted all currency amounts in this Prospectus are stated in United States dollars.

**The Company is expected to indirectly derive a portion of its revenues from the cannabis industry in the State of Arizona (where local state law permits such activities); however, such industry is illegal under U.S. federal law.**

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, including the State of Arizona, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the *Controlled Substances Act* (the “CSA”). An investor’s contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

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

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

For the reasons set forth above, the Company’s interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada’s central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that they were working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, the TMX Group issued a further statement acknowledging that the matter is complex and touches multiple aspects of Canada’s capital market system

and, as such, requires close examination and careful consideration. The TMX Group noted that CDS continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded on each exchange's role in applying listing requirements, including exchange rules related to issuers' compliance with applicable laws. In the interim, the TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. On February 8, 2018, CDS signed a memorandum of understanding (the "CDS MOU") with the Aequis NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, the "Exchanges"). The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Subordinated Voting Shares to make trades. In particular, the Subordinated Voting Shares would become highly illiquid as investors would have no ability to effect a trade of the Subordinated Voting Shares through the facilities of a stock exchange.

There are a number of risks associated with the business of the Company. See "Risk Factors".

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## GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of the Company are defined. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

<b>“ADHS”</b>	means the Arizona Department of Health Services.
<b>“Associate”</b>	means, when used to indicate a relationship with a person or company: <ul style="list-style-type: none"><li>(a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;</li><li>(b) any partner of the person or company;</li><li>(c) any trust or estate in which the person or company has a substantial benefit interest or in respect of which a person or company serves as trustee or in a similar capacity;</li><li>(d) in the case of a person, a relative of that person, including<ul style="list-style-type: none"><li>(i) that person’s spouse or child, or</li><li>(ii) any relative of the person or of his spouse who has the same residence as that person;</li></ul></li></ul> but <ul style="list-style-type: none"><li>(e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member Company or holding company of a Member Company, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member Company or holding company.</li></ul>
<b>“BCBCA”</b>	means the <i>Business Corporations Act</i> (British Columbia).
<b>“Board” or “Board of Directors”</b>	means the board of directors, or comparable corporate governing structure, of the Company.
<b>“bulk flower”</b>	is an unprocessed large quantity bag of strain-specific flower which is generally packaged between 2 lbs. to 5 lbs.
<b>“CBD”</b>	means cannabidiol, a naturally occurring cannabinoid constituent of cannabis.
<b>“CEO”</b>	means Chief Executive Officer.
<b>“CFO”</b>	means Chief Financial Officer.
<b>“company”</b>	means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
<b>“Company”</b>	means Vapen MJ Ventures Corporation, a corporation existing under the BCBCA.



<b>“Company Financial Statements”</b>	means the audited financial statements of the Company for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, together with the notes thereto and the auditors’ report thereon, attached hereto at Schedule “A” and Schedule “E”.
<b>“Company MD&amp;A”</b>	means the management’s discussion and analysis of the Company for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, attached hereto at Schedule “B” and Schedule “F”.
<b>“concentrates”</b>	means refined cannabis products including but not limited to oil, wax, shatter, or sauce.
<b>“Control Person”</b>	means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
<b>“Conversion Limitation”</b>	means the Foreign Private Issuer Protection Limitation. The Company will use commercially reasonable efforts to maintain its status as a “foreign private issuer” (“Foreign Private Issuer”, as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended) and to avoid being categorized as a “Domestic Issuer” under applicable United States securities laws (being a U.S. issuer or a non-U.S. issuer that has a majority (50.1% or more) of its outstanding voting securities held by U.S. residents and either the majority of the executive officers or directors are U.S. citizens or residents, a majority of the assets of the issuer are located in the U.S., or the business of the issuer is administered principally in the U.S.) or would become a Domestic Issuer as a result of the issuance of Subordinated Voting Shares upon the conversion of a Super Voting Share.
<b>“Conversion Ratio”</b>	means each Super Voting Share shall be convertible into 100 Subordinated Voting Shares, provided, however, that the applicable Conversion Ratio shall be subject to adjustment as set forth in the Company’s Articles.
<b>“Crude”</b>	means concentrated oil extracted from trimmings or plant material in an unrefined state.
<b>“CSE” or “Exchange”</b>	means the Canadian Securities Exchange.
<b>“curing room”</b>	means the physical room where bulk flower is aged so it is “cured” in a strain-specific section to achieve the desired characteristics. Flowers are placed in this room after the initial drying/cure period, then trimmed from the stems, but have not yet been processed into final consumer containers for sale.
<b>“Deemed Exercise Date”</b>	means the date the Special Warrants are deemed to be exercised, which is the earlier of the third business day after the date on which a Final Receipt has been issued, or the date that is four months and a day from closing of the Offering, being April 25, 2019;
<b>“Final Receipt”</b>	means the receipt issued by the Principal Regulator, evidencing that a receipt has been, or has been deemed to be, issued for the final Prospectus in British Columbia;
<b>“Finder’s Fee Agreement”</b>	means the finder’s fee agreement between the Company and Cameron and Associates made effective December 21, 2018, with respect to the New Gen Transaction.

<b>“Finder’s Warrants”</b>	means the 2,000,000 share purchase warrants issued to a finder, exercisable at a price of CAD\$1.00 for a period of 12 months from the date of issuance, to acquire 2,000,000 Subordinated Voting Shares pursuant to the terms and conditions of the Finder’s Fee Agreement.
<b>“HWC”</b>	means Herbal Wellness Center, Inc., a non-profit entity incorporated pursuant to the laws of the State of Arizona. HWC is an arm’s length party to New Gen.
<b>“Hydroponics Solutions”</b>	means Hydroponics Solutions LLC, a limited liability company incorporated pursuant to the laws of the State of Arizona.
<b>“IFRS”</b>	means the International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee;
<b>“Insider”</b>	means: (a) a director or senior officer of the Company; (b) a director or senior officer of the Company that is an Insider or subsidiary of the Company, (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or (d) the Company itself if it holds any of its own securities.
<b>“inventory pre-pack”</b>	means the physical room dedicated to converting bulk cannabis material into products for sale at HWC’s dispensary or for wholesale to other Arizona dispensaries, and is also used to store processed sellable retail products for delivery to the dispensary and back-stock for the dispensary.
<b>“Lab”</b>	means the physical room where cannabis concentrates are processed into their final bulk form.
<b>“License Holders”</b>	means cultivation, producer, production, sale, and dispensary license holders.
<b>“Liquidation Event”</b>	means (i) any voluntary or involuntary liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by or the combination, merger or consolidation of the Company with another entity by means of any transaction or series of related transactions (including, without limitation, any sale, acquisition, reorganization, merger or consolidation but excluding any transaction effected exclusively for the purpose of changing the domicile of the Company; (iii) a sale of all or substantially all of the assets of the Company; unless, in the case of (ii) or (iii), the Company’s shareholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company’s acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity).
<b>“LLC”</b>	means a limited liability company, a specific private limited company in the United States.
<b>“Named Executive Officers” or “NEO”</b>	means: (a) the CEO, or comparable position; (b) the CFO, or comparable position; (c) each of the issuer’s three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds CAD\$150,000 per year; or

	(d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year.
<b>“New Gen”</b>	means New Gen Holdings Inc., a corporation continued pursuant to the laws of the State of Wyoming.
<b>“New Gen Transaction”</b>	means the purchase and sale of all the issued and outstanding shares of New Gen in accordance with the terms and conditions of the Share Exchange Agreement.
<b>“New Gen Admin”</b>	means New Gen Admin Services, LLC, a limited liability company incorporated pursuant to the laws of the State of Arizona.
<b>“New Gen Agricultural”</b>	means New Gen Agricultural Services, LLC, a limited liability company incorporated pursuant to the laws of the State of Arizona.
<b>“New Gen Facilities”</b>	means (i) the approximately 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 leased by New Gen for a term beginning on September 1, 2018 and terminating on April 30, 2024; and (ii) the 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road owned by New Gen.
<b>“New Gen Real Estate”</b>	means New Gen Real Estate Services, LLC, a limited liability company formed pursuant to the laws of the State of Arizona.
<b>“NI 41-101”</b>	means National Instrument 41-101 – <i>General Prospectus Requirements</i> , of the Canadian Securities Administrators.
<b>“NI 45-102”</b>	means National Instrument 45-102 – <i>Resale of Securities</i> , of the Canadian Securities Administrators.
<b>“NI 52-110”</b>	means National Investment 52-110 – <i>Audit Committees</i> , of the Canadian Securities Administrators.
<b>“Offering”</b>	means the non-brokered private placement of 1,000,000 Special Warrants at a price of CAD\$0.25 per Special Warrant for total gross proceeds of CAD\$250,000 that closed on December 24, 2018. Each Special Warrant entitled the holder to acquire, without further payment, one Qualifying Unit. The Special Warrants were deemed converted into one (1) Qualifying Unit on April 25, 2019, which is the earlier of the third business day after the date on which a Final Receipt has been issued, or the date that is four months and a day from closing of the Offering;
<b>“Options”</b>	means stock options to acquire Subordinated Voting Shares.
<b>“Person”</b>	means a company or individual.
<b>“Principal Regulator”</b>	means the British Columbia Securities Commission.
<b>“processed/processing”</b>	means breaking down one large unit of material into many individual units of barcoded items for retail sale.

<b>“Promoter”</b>	“Promoter” means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.
<b>“Qualification Date”</b>	means the date on which the Final Receipt is issued;
<b>“Qualifying Jurisdiction”</b>	means the Province of British Columbia;
<b>“Qualifying Units”</b>	means the 1,000,000 units of the Company issued on exercise or deemed exercise of the Special Warrants. Each Qualified Unit consists of one Unit Share and one-half of one Underlying Warrant;
<b>“Regulation S”</b>	means Regulation S promulgated under the U.S. Securities Act.
<b>“SEDAR”</b>	means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.
<b>“shake”</b>	means cannabis flower material that is too small or undesirable for stand-alone sale.
<b>“Share Exchange Agreement”</b>	means the share exchange agreement, dated effective as of December 21, 2018, and as amended by the Addendum No. 1 dated effective as of December 27, 2018, between the Company, New Gen, and the shareholders of New Gen.
<b>“Shareholders”</b>	means holders from time to time of Subordinated Voting Shares.
<b>“Subordinated Voting Shares”</b>	means the class of shares designated as common shares in the capital of the Company.
<b>“Super Voting Shares”</b>	means the class of shares designated as Class A common shares in the capital of the Company, each Class A common share convertible into 100 Subordinated Voting Shares with the right to one vote for each Subordinated Voting Share into which Class A common shares are convertible.
<b>“Solvent”</b>	means the liquid gas used to strip terpenes and crude from plant matter. N-butane and N-propane are used for crude.
<b>“Special Warrant”</b>	means a special warrant issued by the Company entitling the holder the right to acquire, without additional payment, one Qualified Unit for each Special Warrant held. The issuance of the Unit Shares is qualified under this Prospectus;
<b>“Step 1”</b>	means Step 1 Consulting, LLC, a limited liability company incorporated pursuant to the laws of the State of Delaware.
<b>“Stock Option Plan”</b>	means the incentive stock option plan of the Company.

<b>“strain”</b>	means a specific type or genetic variation of cannabis flower.
<b>“Super Voting Shareholders”</b>	means the holders of Super Voting Shares.
<b>“Underlying Share”</b>	means the Subordinated Voting Share issued upon the exercise of the Underlying Warrant, and payment thereof;
<b>“Underlying Warrant”</b>	means the Subordinated Voting Share purchase warrant of the Company of which one-half forms part of the Qualified Unit. Each Underlying Warrant entitles the holder hereof to acquire one additional Warrant Share at CAD\$0.25 per Warrant Share for one year following the date of issuance;
<b>“Unit Share”</b>	means the Subordinated Voting Share partially forming the Qualified Unit upon exercise or deemed exercise of the Special Warrants, qualified under this Prospectus;
<b>“US Securities Act”</b>	means the <i>U.S. Securities Act of 1933</i> , as amended.
<b>“USDA”</b>	means the United States Department of Agriculture.
<b>“USA”, “United States”, “U.S.” or “US”</b>	means the United States of America, its territories and possessions, and any state of the United States, and the District of Columbia.
<b>“Vapen LLC”</b>	means Vapen, LLC, a limited liability company formed pursuant to the laws of the State of Arizona.
<b>“virtual curing room”</b>	means the virtual Biotrack room that houses barcoded and strain-specific bulk flower.
<b>“virtual inventory pre-pack”</b>	means the virtual Biotrack room that houses barcoded and processed products for retail sale or delivery.
<b>“Warrants”</b>	means share purchase warrants exercisable to acquire Subordinated Voting Shares.
<b>“X-Tane”</b>	means X-Tane LLC, a limited liability company formed pursuant to the laws of the State of Arizona.

## GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our” or the “Company” refer to Vapen MJ Ventures Corporation and its direct and indirect subsidiaries.

The Company is not offering to sell securities under this Prospectus. Readers should rely only on the information contained in this Prospectus. The Company has not authorized any other person to provide you with additional or different information. If anyone provides you with additional or different or inconsistent information, including information or statements in media articles about the Company, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as at its date. The Company’s business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its financial statements in Canadian dollars. Amounts in this Prospectus are stated in United States dollars unless otherwise indicated.

## FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and are included in this Prospectus (see “*Financial*”).

*Statements”):*

1. Consolidated audited financial statements of the Company and New Gen for the years ended December 31, 2018 and December 31, 2017;
2. Audited financial statements of the Company for the years ended December 31, 2017 and December 31, 2016; and
3. Audited financial statements of New Gen for the years ended December 31, 2017 and December 31, 2016.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains forward-looking statements or information (collectively “forward-looking statements”) that are based on current expectations, estimates, forecasts, projections, beliefs and assumptions made by management of the Company about the industry in which it operates. Such statements include, in particular, statements about the Company’s plans, strategies and prospects under the headings “Summary”, “Risk Factors”, and “Management’s Discussion and Analysis”. Words such as “expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. The Company does not intend, and disclaims any obligation, to update any forward-looking statements after it files this Prospectus, whether as a result of new information, future events or otherwise, except as required by the securities laws. These forward-looking statements are made as of the date of this Prospectus.

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 intention to complete the listing of the Subordinated Voting Shares on the CSE and all transactions related thereto;
- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- the Company’s plan to complete Phase IV of building a physical plant for cultivation;
- the Company’s intention to enter into management services agreements with License Holders and its ability to secure additional management services agreements;
- expectations with respect to future production costs and capacity;
- the grant and impact of any license or supplemental license to HWC to conduct activities with marijuana or any amendments thereof;
- expectations with respect to the future growth of its medical and/or adult-use recreational cannabis products;
- the Company’s competitive position and the regulatory environment in which the Company operates;

- the Company's expectation that revenues derived from its operations will be sufficient to cover its expenses over the next twelve months;
- the Company's expected business objectives for the next twelve months;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments; and
- the legalization of the use of marijuana for medical and/or adult recreational use in jurisdictions outside of the State of Arizona and the Company's opportunities for expansion into such jurisdictions.

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 our 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. 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 continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations, and to raise adequate financing;
- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- the Company is subject to changes in laws in the State of Arizona and the federal laws of the United States, which could adversely affect the Company's future business, financial condition and results of operations;
- there is no assurance that the Company, through its wholly-owned subsidiary New Gen and New Gen's operating subsidiaries, will continue to turn a profit or generate revenues in the future although New Gen, on a consolidated basis, has recorded profits for the years ended December 31, 2016, December 31, 2017 and December 31, 2018;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, which may have a material adverse effect on the Company's

reputation, business, results from operations and financial condition;

- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- 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;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company currently has insurance coverage; however, because the Company's business is ancillary to the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the Company is currently reliant on the New Gen Facilities. Adverse changes affecting the New Gen Facilities and the Phase IV buildout of a physical plant for cultivation could materially affect the Company's plans;
- the Company will continue to operate in the manner disclosed in this Prospectus but management retains the discretion to diversify its business;
- the Company's only tenant is HWC and although rental revenues generated from HWC do not represent a significant portion of its overall revenue, the Company is reliant on its only tenant;
- the Company may face significant competition from other facilities;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyberattacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- 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 a new industry that may not succeed and, as a result of the Company's ancillary involvement in such industry, the Company's business may suffer;
- the Company may not be able to obtain all necessary licenses 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;
- some of the Company's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law;
- the enforcement of relevant laws is a significant risk;
- the Company's investments and operations in the United States may be subject to heightened scrutiny;
- the Company's directors, officers, employees, and its investors may face challenges entering the United States;
- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes;
- the Company cannot assure you that a market will develop or exist for the Subordinated Voting Shares or what the market price of the Subordinated Voting Shares will be;
- U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance;
- the Company's contracts may not be legally enforceable in the United States;
- the Company will be subject to additional regulatory burden resulting from its public listing on the CSE;
- it may be difficult, if not impossible, for U.S. holders of Subordinated Voting Shares to resell them over the CSE;
- the market price for Subordinated Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company is subject to uncertainty regarding Canadian and U.S. legal and regulatory status and changes;
- the Company does not anticipate paying cash dividends;
- future sales of Subordinated Voting Shares by existing shareholders could reduce the market price of the Company's shares;
- the Company is subject to currency fluctuations; and
- no guarantee on the use of available funds by the Company.

These factors should not be considered exhaustive. 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.

Information contained in forward-looking statements in this Prospectus is provided as of the date of this Prospectus, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

*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.*

## **MARKET AND INDUSTRY DATA**

Unless otherwise indicated, information contained in this Prospectus concerning the Company's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research, and knowledge of Arizona, and more generally the United States, cannabis market and economy, and include assumptions made by the Company which management believes to be reasonable based on their knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Forward-Looking Statements" and "Risk Factors".

## **PROSPECTUS SUMMARY**

*The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain capitalized terms and phrases used in this Prospectus are defined in the "Glossary of Terms" beginning on page 1.*

### **Principal Business of the Company**

The Company, through its wholly-owned subsidiaries, currently operates as an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee all aspects of cultivation, extraction, creation of edibles, retail dispensary, and wholesale distribution of cannabis products. The Company provides real property and equipment for lease in the cultivation, extraction, dispensation and processing of cannabis products, including the use of an edibles kitchen, and provides enhanced ancillary services to the agricultural and cannabis industries in the State of Arizona.

The Company's mission is to enable licensed cultivators of cannabis to enhance both crop quality and yields through internally developed expertise and the use of clean technology and tools. For example, the Company's research and development strategy is to generate diverse product offerings with branded packaging by targeting (1) cultivation of cannabis using genetic development expertise and yield & quality management analysis and (2) product development with a focus on ingestion methods, various edibles, beverages, topical creams, inhalers and other discreet delivery options.

The Company is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. The Company, through its wholly-owned subsidiaries, also provides long-term advisory and management services in cannabis crops.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, leases an approximately 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 and has sub-leased it to HWC for a term beginning on September 1, 2018 and terminating on April 30, 2024. In addition, the Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road and leases both buildings to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building

totaling 636 square feet is used for manager and outreach offices. The New Gen Facilities are also used for cultivation, product drying, product processing, product packaging and infusion into edible products for HWC. The New Gen Facilities provide hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

- Precision agriculture techniques (sensors, data collection, and networked monitoring);
- Hydroponics (clone, veg, and flower rooms with nutrient regiment);
- Nutrient feeding automation (nutrients programmed doses during flower stage);
- Water (purification and temperature control effect quality);
- Electrical (cost efficient and alarmed for in-door grow lighting);
- Automation (monitoring the environment for optimal growing conditions and inventory control); and
- Bio controls (maintain facility through proprietary methods).

New Gen also owns a 2,100-square-foot building located at 4140 East Indian School Road which currently is not being leased to HWC.

On December 21, 2018, the Company entered into the Share Exchange Agreement with New Gen, an arm's length party, and the shareholders of New Gen, whereby it agreed to acquire all of the issued and outstanding shares of New Gen in exchange for certain shares of the Company. The Share Exchange Agreement was subsequently amended by Addendum No. 1 dated effective December 27, 2018. Such share exchange was concluded on December 31, 2018. As a result of the share exchange New Gen became a wholly-owned subsidiary of the Company.

The Company's head office, as well as its registered and records office, is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

### **No Proceeds Raised**

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the BCSC for the purpose of allowing the Company to become a reporting issuer in such jurisdiction and to enable the Company to develop an organized market for its Subordinated Voting Shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.

### **Restricted Securities**

The Company believes that its profitability and growth in the past few years has readied it for a public listing in Canada. At the same time, for the simple reason that the cannabis industry in the United States is not as advanced as it is in Canada with respect to regulation, the Company currently has no intention of pursuing a listing on a national securities exchange in the United States. For this reason, the Company intends to maintain its "foreign private issuer" status under applicable U.S. securities laws.

Accordingly, the transaction with New Gen was structured to apply rules that would enable the Company to qualify as a foreign private issuer as opposed to a domestic issuer. The benefit to the Company is that it does not have to incur significant additional compliance costs for periodic and current reporting in the United States, while simultaneously enabling it to obtain a listing on a qualified foreign market (the Canadian Securities Exchange).

The Company's share capital therefore consists of two classes of issued and outstanding shares: Subordinated Voting Shares and Super Voting Shares. Generally, the Subordinated Voting Shares and Super Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only. Super Voting Shares, or fractions thereof, may at any time, subject to the Conversion Limitation, at the option of the holder and subject to certain restrictions, be converted into Subordinated Voting Shares at a ratio of 100 Subordinated Voting Shares per Super Voting Share. Prior to conversion, each Super Voting Share, or fraction thereof, carries 100 votes per share (compared to one vote per Subordinated Voting Share) and is entitled to dividends and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Subordinated Voting Share. Upon conversion of all the Super Voting Shares, the Company will issue an aggregate of 62,528,700 Subordinated Voting Shares, which combined with the 12,525,961 Subordinated Voting Shares currently issued and outstanding, will result in a total of

75,054,661 issued and outstanding Subordinated Voting Shares. See “Description of the Securities”.

### **The Listing**

The Company has applied to list its Subordinated Voting Shares on the CSE. Listing will be subject to the Company’s fulfilling all of the listing requirements of the CSE, including, without limitation, the distribution of the Company’s Subordinated Voting Shares to a minimum number of public shareholders and the Company meeting the minimum listing requirements.

### **Risk Factors**

An investment in the securities of the Company is speculative and involves a high degree of risk. The following are a summary of certain of the risk factors described elsewhere herein. Prospective purchasers should carefully consider the information set out under “*Risk Factors*” and the other information in this Prospectus before purchasing securities of the Company.

#### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at December 31, 2018, the Company was dependent on one major customer from its consulting business segment (Note 13). The majority (\$13,113,105) of the Company’s accounts receivable are from this customer. The Company has taken an allowance for all receivables earned prior to December 31, 2015, as the Company is of the opinion that its customer did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at December 31, 2018, it is not exposed to significant credit risk from this customer, as \$3,827,804 of the outstanding accounts receivables were received by the Company subsequent to the year ended December 31, 2018, to March 30, 2019, with the Company continuing to receive payments until the date of filing of the consolidated financial statements. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company’s knowledge of the financial condition of its customer, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management. As at December 31, 2018, the Company, on a consolidated basis, had accounts receivables of \$13,206,458 to settle its bank indebtedness, accounts payable and short-term notes payable of \$1,998,402. Management believes that the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

#### **Limited Operating History**

The Company was incorporated on December 11, 2015 and does not have a history of profitable operation. The Company’s wholly-owned subsidiary New Gen was incorporated on July 8, 2014 and has a history of profitable operations. However, there is no assurance that going forward the Company, through its subsidiaries, will continue to be profitable or will be successful in achieving a return on shareholders’ investment.

#### **History of Net Losses**

The Company may not be able to maintain profitability and may incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company does not generate revenues to offset these expected increases in costs and operating expenses, the Company will not be profitable.

## Operating Cash Flow

The Company, through its subsidiaries, has generated positive working capital for the prior two fiscal years and there is no reason to presume that it will not continue to do so. The Company may however encounter circumstances which may adversely affect its viability.

## Summary Financial Information

The following selected financial information has been derived from and is qualified in its entirety by the Company Financial Statements, and the notes thereto (included at Schedule “A” to this Prospectus), the New Gen Financial Statements, and the notes thereto (included at Schedule “C” to this Prospectus), the consolidated financial statements of the Company and New Gen and the notes thereto (included at Schedule “E” to this Prospectus) and should be read in conjunction with the respective management’s discussion and analysis thereto, attached at Schedule “B”, Schedule “D” and Schedule “F” to this Prospectus.

	December 31, 2018	December 31, 2017
Total Revenue	\$ 18,476,269	14,848,730
Cost of Sales and Operating Expenses	\$ 12,906,239	10,741,498
Net Income	\$ 3,748,562	4,107,232
Total assets	\$ 23,434,185	13,840,997
Total liabilities	\$ 6,433,610	5,066,284
Net Income per share (basic and diluted)	\$ 0.06	0.06
Total liabilities and shareholders’ equity	\$ 23,434,185	13,840,997

The following financial data, which has been prepared in accordance with International Financial Reporting Standards (IFRS), is derived from New Gen’s financial statements.

	December 31, 2017	December 31, 2016
Total Revenue	\$ 14,848,730	12,336,283
Cost of Sales and Operating Expenses	\$ 10,741,498	7,570,584
Net Income	\$ 4,107,232	4,765,699
Total assets	\$ 13,840,997	8,241,226
Total liabilities	\$ 5,066,284	3,573,745
Net Income per share (basic and diluted)	\$ 0.06	0.07
Total liabilities and shareholders’ equity	\$ 13,840,997	8,241,226

The following table sets out selected financial information derived from the Company's financial statements for the financial years ended December 31, 2017 and December 31, 2016. These financial data are prepared in accordance with IFRS. See "Selected Financial Information".

	December 31, 2017	December 31, 2016
	\$	\$
<b>OPERATIONS</b>		
Revenue	Nil	Nil
Net Loss	1,932	4,687
Other comprehensive income (loss)	Nil	Nil
Basic and diluted loss per share	0.00	0.01
<b>BALANCE SHEET</b>		
Working capital (deficiency)	60,325	12,257
Total assets	60,467	12,399
Total non-current liabilities	Nil	Nil
Cash dividends declared	Nil	Nil

## CORPORATE STRUCTURE

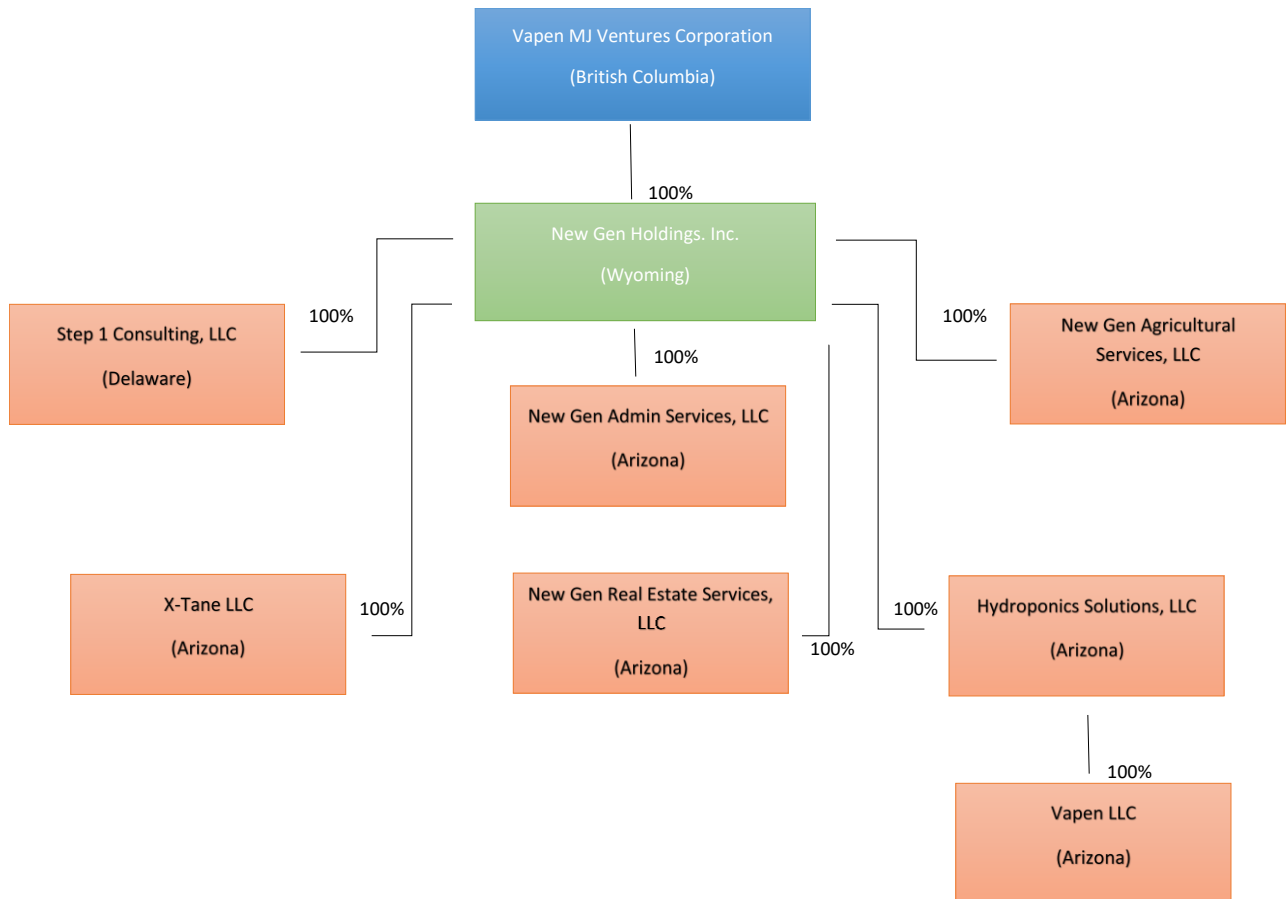
### Name, Address and Incorporation

The Company was incorporated under the BCBCA as “Fabula Exploration Inc.” on December 11, 2015. On December 31, 2018, the Company completed the New Gen Transaction, and, as a result, New Gen became a wholly-owned subsidiary of the Company and amended its Articles of Incorporation to change its name to “Calyx Growth Corporation”. On March 25, 2019, the Company filed a Notice of Alteration to change its name to “Vapen MJ Ventures Corporation”.

The Company’s head office is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9. The Company’s registered and records office is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

### Intercorporate Relationships

The Company has eight (8) wholly-owned subsidiaries: (i) New Gen; (ii) Step 1; (iii) Hydroponic Solutions; (iv) Vapen, LLC; (v) New Gen Real Estate; (vi) New Gen Admin; (vii) New Gen Agricultural; and (viii) X-Tane LLC. The corporate structure of the Company is outlined in the diagram below and is current as at the date of filing of this Prospectus.



### Subsidiaries

The Company owns 100% of the issued and outstanding Class A common shares and Class B common shares of New Gen Holdings Inc. (“**New Gen**”). New Gen was incorporated in the State of Nevada on July 8, 2014 and continued

into the State of Wyoming on December 28, 2016. New Gen's head office is located at 1712 Pioneer Avenue, Suite 500, Cheyenne, Wyoming, 82001. New Gen's registered office is located at 1712 Pioneer Avenue, Suite 500, Cheyenne, Wyoming, 82001.

New Gen owns 100% of the membership units of Hydroponics Solutions, LLC ("**Hydroponics Solutions**"). Hydroponics Solutions was incorporated in the State of Arizona on February 19, 2013. Hydroponics Solutions' head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. Hydroponics Solutions' registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. In turn, Hydroponics Solutions owns 100% of the membership units of Vapen, LLC ("**Vapen LLC**"). Vapen LLC was incorporated in the State of Arizona on January 5, 2017. Vapen LLC's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. Vapen LLC's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of New Gen Admin Services, LLC ("**New Gen Admin**"). New Gen Admin was incorporated in the State of Arizona on September 5, 2014. New Gen Admin's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. New Gen Admin's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of New Gen Agricultural Services, LLC ("**New Gen Agricultural**"). New Gen Agricultural was incorporated in the State of Arizona on September 5, 2014. New Gen Agricultural's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. New Gen Agricultural's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of New Gen Real Estate Services, LLC ("**New Gen Real Estate**"). New Gen Real Estate was incorporated in the State of Arizona on September 5, 2014. New Gen Real Estate's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. New Gen Real Estate's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of Step 1 Consulting, LLC ("**Step 1**"). Step 1 was incorporated in the State of Delaware on August 7, 2013. Step 1's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. Step 1's registered office is located at 108 West 13<sup>th</sup> Street, Wilmington, Delaware, 19801.

New Gen owns 100% of the membership units of X-Tane LLC ("**X-Tane**"). X-Tane was incorporated in the State of Arizona on September 23, 2016. X-Tane's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. X-Tane's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

## THE BUSINESS

### Overview

The Company, through New Gen, a wholly-owned subsidiary of the Company, and New Gen's operating subsidiaries, currently operates as an agricultural technology, supply, staffing, property management, and brand licensing services company, providing its services as the exclusive provider since July 2014 to a non-profit company known more particularly as Herbal Wellness Center, which was incorporated in the State of Arizona on May 17, 2011. HWC is the holder of dispensary, cultivation, and extraction Arizona State-approved licenses to cultivate, extract and sell medical marijuana and related products to holders of medical marijuana cards, with approximately 48,000 patients in their system and approximately 65 wholesale dispensary clients. HWC has two direct employees and 123 contract employees through New Gen Admin Services LLC.

The Company's services are provided individually by five of New Gen's operating subsidiaries (Step 1 Consulting, LLC; New Gen Admin Services LLC; New Gen Agricultural Services, LLC; New Gen Real Estate Services, LLC; and Hydroponics Solutions, LLC) pursuant to ten-year renewable management contracts, providing, among other things, employee leasing services, the use of a physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related consulting and administrative services. The Company provides real property and equipment for lease and enhanced ancillary services to the cannabis industry in the State of Arizona and other potential geographical areas.



The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, leases an approximately 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 and has sub-leased it to HWC for a term beginning on September 1, 2018 and terminating on April 30, 2024. In addition, the Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road and leases both buildings to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building totaling 636 square feet is used for manager and outreach offices.

The New Gen Facilities are also used for cultivation, product drying, product processing, product packaging and infusion into edible products for HWC. The New Gen Facilities provide hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

- Precision agriculture techniques (sensors, data collection, and networked monitoring);
- Hydroponics (mother, clone, veg, and flower rooms with nutrient regiment);
- Nutrient feeding automation (nutrients programmed doses during flower stage);
- Water (purification and temperature control effect quality);
- Electrical (cost efficient and alarmed for in-door grow lighting);
- Automation (monitoring the environment for optimal growing conditions and inventory control); and
- Bio controls (maintain facility through proprietary methods).

The New Gen Facilities located at 4215 N. 40<sup>th</sup> Avenue in Phoenix, Arizona were first leased by New Gen in January 2015. Phase I was completed with cultivation space of 10,000 square feet at a cost to New Gen of approximately \$1 million; Phase II was completed February 2017 with about 9,000 square feet at a cost to New Gen of approximately \$1 million; and Phase III was completed in October 2018 for an additional 9,000 square feet at a cost to New Gen of approximately \$1.2 million. Phase IV has been submitted to the city for approval of an additional 9,000 square feet with anticipated construction to complete in December 2019 at a cost to New Gen of approximately \$1.5 million.

During the year ended December 31, 2018, New Gen completed construction of its Phase III cultivation facility that will enable an approximate 30% increase in production yields of the Company's connoisseur quality flower. In addition, the added space has enabled the Company to further reconfigure the work flow within the production operation including, but not limited to, a new inventory curing station, expansion of flower cultivation, increased sizing of its extract operations, and improvement in sizing for packaging and managing VAPEN™ Kitchen operations.

HWC utilizes growing and extraction techniques available in the industry. The indoor flower growing facility deploys equipment with techniques developed and refined since 2013. HWC harvests on a weekly basis. The majority of THC extraction techniques have been developed internally with New Gen-designed and contractor-customized and fabricated equipment. HWC extracts shatter from its private reserve trim and crude THC from mostly purchased trim, and produces VAPEN Clear distillate from the crude. See "Proprietary Protection".

Hydroponics Solutions and its subsidiary Vapen, LLC process the CBD product line, consisting of quality flower, highest quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC Syrups, VAPEN Kitchens edibles, and VAPEN branded merchandise.

Therefore, from start to finish, New Gen manufactures, assembles, and packages cannabis finished goods for HWC across a variety of product segments:

- (1) Inhalable: flower, dabbable concentrates (e.g. wax, crumble, shatter, live resin, sauce), dab applicators, pre-filled vaporizer pens, cartridges, and pods, and inhalers; and
- (2) Ingestible: capsules, tinctures, syrups and edibles including baked goods, chocolates, gummies, and caramels.

HWC subsequently retails the marijuana flower and extraction products, specifically VAPEN Clear Distillate, Shatter, wax and infused edibles, to over 3,000 patients with medical marijuana cards per week. HWC also distributes VAPEN Clear products at wholesale prices to dispensaries located in Arizona. Diversified product lines include quality flower,

highest quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC Syrups, VAPEN Kitchens edibles and VAPEN branded merchandise.

The Company invoices HWC on a monthly basis for the services provided to HWC related to cultivation, extraction, employee manpower, supply management, leasing land and buildings, making leasehold improvements on leased premises, and providing technical and agricultural expertise pursuant to the terms and conditions of five (5) exclusive management services agreements with HWC.

The Company intends to license its VAPEN brand to License Holders and cannabis producers worldwide and to utilize it in marketing efforts with industry orientated affiliates.

Production operations were structured to be both scalable and replicable. All operating procedures are standardized on a department by department basis. Indoor growing operations have been designed for efficiency of use through prior years' experience. The Company, through New Gen, has vetted and assessed both domestic and foreign vendors for supplies required in growing and packaging.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, operates in the United States, and has two major segments of operations, being its management and advisory services to non-for-profit entities in the medical marijuana field, and its sale of various types of low-pressure liquid gas.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, earns revenue on the following activities:

- 1) Management fees. The Company provides monthly management fees at a fixed rate to its customer. This revenue is recorded monthly, when billed. As at December 31, 2018 and December 31, 2017, management fees totaled \$4,800,000 (2016 - \$4,800,000).
- 2) Professional services. Revenues are derived from professional services associated with staff provided by the Company to its customer. The Company bills its customer monthly, based on a markup of paid wages and salaries. This revenue is recorded when billed. As at December 31, 2018 and December 31, 2017, respectively, revenue from professional services totaled \$6,652,534 and \$4,047,071 (2016 - \$3,446,080).
- 3) Product sales. Product sales relate to the sale of low-pressure tanks with liquid gas, as well as for materials and supplies purchased by the Company for the cultivation and dispensary facilities it provides to its customer. Revenue relating to the sale of the liquid gas is recognized when the tanks are shipped to the customer. Revenue from the materials and supplies used in cultivation and dispensary facilities is recognized when invoiced to the customer, based on the supplies purchased specifically for the cultivation and dispensary location. As at December 31, 2018 and December 31, 2017, respectively, revenue from product sales totaled \$5,342,956 and \$4,574,684 (2016 - \$1,788,539).
- 4) Equipment and property leasing. Revenues derived from leasing are recognized when invoiced to the customer. This revenue consists of amounts charged to the customer for leased equipment used in the cultivation and dispensary facilities, as well as buildings and property leased to the customer. As at December 31, 2018 and December 31, 2017, respectively, revenue from equipment leasing totaled \$1,680,779 and \$1,426,975 (2016 - \$1,733,844) and revenue from property leasing totaled \$513,200 (2016 - \$567,820).

Total revenues for the year ended December 31, 2018 and December 31, 2017, respectively, amounted to \$18,476,269 and \$14,848,730 (2016 - \$12,336,283) while the cost of goods sold totaled \$9,301,918 and \$6,602,383 (2016 - \$4,152,818). Revenues less cost of sales for the years ended December 31, 2018 and December 31, 2017, respectively, were \$9,174,351 and \$8,246,347 (2016 - \$8,173,465).

The Company's inventory consists of various types of low-pressure liquid gas held in X-Tane LLC. There was a \$26,230 write down of empty 100-pound tanks as the Company determined there was not a market for these used empty tanks. There were no adjustments to inventory during the years ended December 31, 2017 and 2016. The amount of inventory recognized as cost of goods sold during the years ended December 31, 2018 and December 31, 2017, respectively, were \$707,613 and \$315,255 (2016 - \$8,337).

The Company's mission is to continue generating multiple revenues streams from enabling licensed cannabis operators to take advantage of their licenses. The Company provides services to enhance the cultivation of cannabis to increase both crop quality and yields through the application of internally developed expertise and the use of clean technology and tools. The Company also provides extraction techniques and know-how and packaging and manufacturing services for retail and wholesale distribution. Also, the Company will license brands that it develops to various License Holders worldwide.

The Company is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. The Company, through its wholly-owned subsidiaries, also provides long-term advisory and management services in cannabis and trained staff to manage the facilities.

The New Gen Facilities provide the technology, and the structure to comply with Arizona and municipal cannabis laws in Phoenix, Arizona. The Company also provides supply services to HWC as a cannabis producer and cannabis production license holder, deriving income streams from HWC and potentially other License Holders for the cultivation, growing, processing, packaging, and distribution of cannabis within Arizona.

On December 21, 2018, the Company entered into the Share Exchange Agreement with New Gen, an arm's length party, and the shareholders of New Gen, whereby it agreed to acquire all of the issued and outstanding shares of New Gen in exchange for certain shares of the Company. The Share Exchange Agreement was subsequently amended by Addendum No. 1 dated effective December 27, 2018. Such share exchange was concluded on December 31, 2018. As a result of the share exchange New Gen became a wholly-owned subsidiary of the Company.

Prior to the closing of the New Gen Transaction, the Company completed the Offering and raised gross proceeds of \$185,185 through the issuance of Special Warrants. See "Plan of Distribution".

The Company's head office, as well as its registered and records office, is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

## **Development**

The Company was incorporated under the BCBCA as "Fabula Exploration Inc." on December 11, 2015. Since 2015, the Company has sought to invest in cannabis-related assets and companies for the purpose of entering the cannabis industry in State of Arizona. From incorporation to September 30, 2018, the Company has issued 630,500 Subordinated Voting Shares in initial financing rounds for gross proceeds of CAD\$18,915.

### New Gen Transaction

On December 13, 2018, the Company entered into a letter of intent with New Gen, which agreement was superseded and replaced in its entirety on December 21, 2018, when the Company entered into the Share Exchange Agreement with New Gen whereby it acquired all of the issued and outstanding shares of New Gen in exchange for certain shares of the Company. Such share exchange was concluded on December 31, 2018. As a result of the share exchange New Gen became a wholly-owned subsidiary of the Company. The Company amended its Articles of Incorporation to change its name to "Calyx Growth Corporation".

Upon completion of the New Gen Transaction on December 31, 2018, New Gen's shareholders (including, but not limited to, Jason T. Nguyen and Robert J. Brilon, two current directors of the Company) were issued 7,395,461 Subordinated Voting Shares and 625,287 Super Voting Shares. None of the New Gen shareholders had any beneficial ownership interest in the Company prior to completion of the New Gen Transaction.

On March 25, 2019, the Company filed a Notice of Alteration to change its name to "Vapen MJ Ventures Corporation".

### Subsidiaries and Material Agreements

The New Gen subsidiaries were formed to provide certain management and advisory services, along with product packaging and branding services, to HWC and potentially other License Holders in the New Gen Facilities for the cultivation, production, and processing of cannabis. The following is a summary of the material contracts entered into

between New Gen, through its subsidiaries, and HWC. See “Material Contracts” for more information. The contracts noted below have been recently executed and reflect original contracts entered into at the commencement of business operations in 2012. The agreements below supersede and replace all previous agreements.

#### Step 1 Consulting LLC

##### **Management Services Agreement Between Step 1 and HWC, entered into on July 1, 2018**

Step 1 is engaged in the business of providing management and advisory services including, but not limited to, property management; security; patient counseling and transportation in the operation and management of licensed medical and/or recreational marijuana dispensaries. HWC is a non-profit entity engaged in the business of planning, operating, managing, and owning a licensed medical marijuana dispensary known as Herbal Wellness Center, Inc. The agreement commences on July 1, 2018 and continues until the 10th anniversary of the effective date (July 1, 2028), superseding an agreement that had been in place between the parties since HWC’s inception. On the expiration date, the term of the agreement automatically and without notice or action extends for an additional one-year period. The term will be continually extended for an additional year on each anniversary of the expiration date until the agreement is terminated in accordance with the agreement. Either party may terminate the agreement, upon written notice to the other party of any significant default not cured within 30 days. The parties may terminate the agreement, upon written notice by either party and acceptance by the other party.

Management services provided pursuant to the agreement include but are not limited to construction related services and remodeling of physical plant, advisory services related to dispensary operations, cultivation and extraction and integrated financial management services. HWC pays Step 1 a management fee of \$150,000 per month, with any increases or decreases to occur by mutual agreement in writing by the parties.

#### New Gen Agricultural Services LLC

##### **Management Services Agreement Between New Gen Agricultural and HWC, entered into on July 1, 2018**

New Gen Agricultural is engaged in the business of providing management and advisory services, including, but not limited to, property management, security, and the operation and management of licensed medical and/or recreational marijuana cultivation, infusion kitchen, and extraction facilities. HWC is engaged in the business of planning, operating, managing, and owning a licensed medical marijuana cultivation, infusion kitchen, and extraction center known as Herbal Wellness Center, Inc. in Community Health Assessment Area number 60, and related activities. The agreement commences on July 1, 2018 and continues until the 10th anniversary (July 1, 2028), superseding an agreement that had been in place between the parties since HWC’s inception. On the expiration date, the term of the agreement automatically and without notice or action extends for an additional one-year period. The term will be continually extended for an additional year on each anniversary of the expiration date until the agreement is terminated in accordance with the agreement. Either party may terminate the agreement upon written notice to the other party of any default not cured within 30 days. The parties may terminate the agreement upon written notice by either party and the acceptance by the other party (mutual consent).

Management services consist of operations management services specifically delineated by New Gen Agricultural’s Standard Operating Procedures (“SOP’s”) including but not limited to the following:

- a) Standard operating procedures for cultivation, extraction and kitchen facilities. New Gen Agricultural provides counsel, advice and assistance in connection with identifying the regulatory requirements and conditions that must be satisfied in order to commence with the operation of the cultivation, extraction and infusion kitchen facility:
  - cultivation operations (grow, harvest, cure, etc.)
  - extraction operations
  - infusion kitchen operations
  - inventory control operations and systems

- (b) Cultivation, extraction and infusion kitchen facility equipment list
- (c) Cultivation, extraction and infusion kitchen facility supply list
- (d) A template staffing structure chart, including providing job descriptions for all positions on the template staffing structure chart.

If warranted, New Gen Agricultural will also provide amended policies and procedures to ensure adherence to compliance requirements and applicable law, which may include (i) security (including security operations P&Ps, opening checklist, and closing checklist) and (ii) inventory (including inventory operations P&Ps, opening checklist, and closing checklist).

HWC pays New Gen Agricultural a management fee of \$250,000 per month, with any increases or decreases to occur by mutual agreement in writing by the parties.

#### New Gen Admin Services LLC

#### **Staffing Services Agreement Between HWC and New Gen Admin, made and entered into on July 1, 2018**

New Gen Admin provides employment leasing services by assigning permanent, temporary, or supplemental personnel for any and all professional orientations, up to and including human resources. New Gen Admin screens staff, including obtaining all pertinent information concerning past employment, licensure, certifications, education, and professional skills. Qualified staff have at least one year of prior work experience in the specialty area to which they are assigned and also possess a valid, original license to practice their profession as required by law, as well as any other professional certifications required for the practice of their specialty. The agreement is an exclusive engagement by HWC to only use New Gen Admin's services during the term of the agreement. New Gen Admin agrees to have staff available for HWC 24 hours a day, 7 days a week. The staff assigned by New Gen Admin to HWC under the agreement are assigned solely as independent employees of New Gen Admin and New Gen Admin bears sole, exclusive and total legal responsibility for the staff as the employer of the staff. New Gen Admin invoices HWC bi-weekly for services provided on credit terms of net 30 days. New Gen Admin will purchase and maintain during the duration of the agreement and after expiration of the agreement the following insurance coverage:

- (i) worker's compensation and employer's liability coverage for New Gen Admin's legal and statutory obligations for damages due to bodily injuries occurring to New Gen Admin's employees, agents or servants as a result of employment;
- (ii) general and professional liability covering New Gen Admin, its agents, employees, and servants for bodily injury, personal injury, or property damage claims arising out of the premises, products or activities of New Gen Admin. Minimum limits of liability for the coverage is \$1,000,000 per occurrence;
- (iii) unemployment insurance as required by law for all employees; and
- (iv) automobile insurance if New Gen Admin or the staff requires the use of an automobile to perform work.

The term of the agreement is ten years beginning on July 1, 2018, superseding an agreement that had been in place between the parties since HWC's inception. Both parties agree that the agreement will automatically renew for additional one-year terms unless terminated, in writing, mutually by New Gen Admin and HWC, 30 days prior to its expiration. Either party may terminate the agreement at any time for significant default of the terms, upon 30 days written notice to the other party, and if the default is not cured during that period.

#### Hydroponic Solutions LLC

#### **Equipment Lease and Professional Services Agreement between Hydroponics Solutions (Ste. 200, 777 E. Missouri Avenue, Phoenix, Arizona, 85014) and HWC (4126 W. Indian School Road, Phoenix, Arizona, 85019)**

Hydroponic Solutions leases certain equipment, plus future equipment put into service. The total lease payments invoiced are based on equipment installed that month and for the period of time previously installed equipment has been in use, until the time the equipment is returned. The monthly invoices are reviewed and approved by HWC management within 30 days of issuance.

Hydroponic Solutions also provides to HWC the following professional services: (i) purchase and supply of cultivation supplies and materials; extraction supplies and materials; infusion kitchen supplies and materials; and general operating supplies; and (ii) contractor services in the areas of repairs and maintenance; built outs; and additions/remodels. Charges for the professional services are incurred on a monthly basis and determined by the services and materials purchased, delivered, and/or installed at the direction of HWC. These monthly invoices are reviewed and approved by HWC management within 30 days of issuance. The payment term is net 30 days from invoice.

The agreement is effective from July 1, 2018 until June 30, 2029, unless otherwise terminated, and supersedes an agreement that had been in place between the parties since HWC's inception. HWC has the option to renew the lease for a similar term on such terms as the parties may agree at the time of the renewal.

During the term of the lease, HWC pays all applicable taxes, assessments and license and registration fees on the equipment.

#### New Gen Real Estate Services LLC

#### **First Amendment to Lease for 4215 N. 40<sup>th</sup> Street, Phoenix, Arizona, 85019 between SCF Properties LLC, a California limited liability company, as the "Lessor", and New Gen Real Estate, as the "Lessee", for the leased premises containing approximately 21,000 square feet**

The Lessor and the Lessee originally entered into a lease agreement dated March 19, 2015 for the leased premises, and pursuant to the First Amendment the parties agreed to extend the lease term commencing May 1, 2018 and terminating April 30, 2024. The parties also agreed to the addition of additional space within the premises, consisting of approximately 7,000 square feet of additional space, for a total of 28,000 square feet of leased space, on the following terms:

May 1, 2016 to April 30, 2017 \$11,200 + monthly rental tax  
May 1, 2017 to April 30, 2018 \$12,320 + monthly rental tax  
May 1, 2018 to April 30, 2020 \$12,950 + monthly rental tax  
May 1, 2020 to April 30, 2023 \$13,468 + monthly rental tax  
May 1, 2023 to April 30, 2024 \$14,007 + monthly rental tax

#### **Commercial Sublease for 4215 N. 40<sup>th</sup> Street, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Commercial Sublease made effective as of September 1, 2018, by and between New Gen Real Estate, the "Tenant", and HWC, the "Subtenant", and pursuant to a lease agreement dated March 19, 2015, between the Tenant and SCF Properties, LLC, a California limited liability company, an arm's length party**

New Gen sublets to the Subtenant an approximately 28,000-square-foot space located in an industrial building located at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 for a term beginning on September 1, 2018 and unless terminated sooner pursuant to the terms of the Sublease, will continue for the remainder of the term provided in the prime lease, which terminates on April 30, 2024. Both parties agree that the terms of the lease will supersede any terms of a current or previous lease agreement between the parties. The Subtenant will make sublease payments of \$60,000 plus 2.9% rental tax, if applicable, per month to the Tenant, payable in advance on the first day of each month, for a total sublease payment of \$720,000. The monthly lease installments increase 5% each year beginning on January 1, 2020. The Subtenant will pay for all utilities used or consumed at the premises during the term of the agreement as currently obligated by the Tenant under the prime lease. If the Subtenant fails to cure any financial obligation within 15 days (or any other obligation within 20 days) after written notice of such default is provided by the Landlord to the Subtenant, the Landlord may take possession of the premises without further notice. The Lessor, the Tenant and the Subtenant have agreed to maintain appropriate insurance for their respective interests in the property, with the Lessor and the Tenant named as additional insured in such policies. The Subtenant also maintains liability insurance on the premises in a total aggregate sum of at least \$1,000,000.

#### **Commercial Lease for 4126 W. Indian School Road, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Lease Agreement dated as of September 1, 2018 between New Gen Real Estate, as the "Landlord", and HWC, as the "Tenant"**

New Gen Real Estate leases to HWC a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road for a term beginning on September 1, 2018 and ending on August 31, 2024. Both parties agreed that the terms of the lease superseded a previous lease agreement between the parties that had been in place since HWC's inception. Pursuant to the lease HWC paid to New Gen Real Estate monthly installments of \$20,000 plus 2.9% rental tax, if applicable, payable in advance on the first day of each month, during 2016 and 2017. The monthly rent increased from \$20,000 to \$60,000 on September 1, 2018, per the terms of the lease. The monthly lease installments will increase 5% each year beginning on January 1, 2020. HWC may use the premises only for a medical marijuana retail store, and an office building in the rear will be used for management offices.

### **New Gen Facilities**

On September 1, 2018, New Gen entered into a building lease agreement with HWC, as tenant, with respect to the New Gen Facilities.

The Company has a lease agreement for its leased premises, with the term of the lease ending on April 30, 2024. The annual commitment under this lease for the next five years is set forth in the table below:

	Commitment
2019	\$196,800
2020	\$205,944
2021	\$211,216
2022	\$213,616
2023	\$220,328

See "Material Contracts".

### **Financings**

The Company received CAD\$6,000 for 200,000 Subordinated Voting Shares that were issued during the year ended December 31, 2015 to the directors of the Company.

On July 6, 2016, the Company completed its private placement of an aggregate of 430,500 Subordinated Voting Shares at a price of CAD\$0.03 per share for aggregate gross proceeds of CAD\$12,915 and incurred CAD\$1,971 in share issuance costs.

On July 11, 2017, 1,000,000 Subordinated Voting Shares were issued by the Company at CAD\$0.05 per common share for aggregate gross proceeds of CAD\$50,000.

On April 19, 2018, the Company repurchased 1,000,000 Subordinated Voting Shares at a price of CAD\$0.05 per share for aggregate amounts of CAD\$50,000 and returned them to treasury.

On December 10, 2018, the Company completed a non-brokered private placement for gross proceeds of CAD\$50,000, consisting of 1,000,000 Subordinated Voting Shares at a price of CAD\$0.05 per common share.

On December 17, 2018, the Company completed a non-brokered private placement for gross proceeds of CAD\$125,000, consisting of 2,500,000 units at a price of CAD\$0.05 per unit, with each unit consisting of one Subordinated Voting Share and one Subordinated Voting Share purchase warrant exercisable at a price of CAD\$0.25 per share for a period of twelve months. See "Escrowed Securities".

On December 24, 2018, the Company completed a non-brokered private placement of Special Warrants for gross proceeds of CAD\$250,000, consisting of 1,000,000 Special Warrants at a price of CAD\$0.25 per Special Warrant.

## **New Gen Financings**

New Gen was continued into Wyoming with an authorized share capital of 2,000 common shares, and those 2,000 common shares were issued from treasury to EFG Consultants, LLC, a company controlled by Jason T. Nguyen.

On November 20, 2018, New Gen created 100,000,000 Class A Common Shares and 100,000,000 Class B Common Shares. The Class B Common Shares have special rights and restrictions that exactly mirror the Super Voting Shares of the Company.

On December 21, 2018, New Gen entered into the share exchange agreement with the sole shareholder, EFG Consultants, LLC, and the Company.

On December 21, 2018, New Gen amended its articles and by-laws to provide for drag along rights and the issuance of uncertificated shares. Specifically, New Gen's articles were amended by a consent action taken by New Gen's sole director and sole shareholder. This amendment allowed shareholder action to be taken in the future by obtaining the consent written consent of a majority the holders of shares entitled to vote on a matter. In addition, New Gen's bylaws were amended to establish a "drag along" provision. This provision provided that where holders of 80% of the shares outstanding and entitled to vote agree to a transfer of shares or approve a plan of merger or share exchange, the remaining shareholders will consent or be deemed to have consented to such a transaction. In addition, the amendment clarified that New Gen may issue uncertificated shares. As a result of these amendments to New Gen's articles and bylaws, New Gen was able to obtain shareholder approval of the share exchange by obtaining the written consent of a majority of the holders of shares entitled to vote on the plan of share exchange. Additionally, by including the drag along provision, if the holders of 80% of the shares entitled to vote on the plan of share exchange approve the exchange, the remaining shareholders will be deemed to have approved it as well, pursuant to the Wyoming Business Corporation Act.

After the execution of the share exchange agreement, the 2,000 common shares were cancelled in consideration for 2,596,300 Class A Common Shares and 625,287 Class B Common Shares.

On December 27, 2018, New Gen completed a non-brokered private placement to approximately 70 individuals for gross proceeds of \$3,551,370, consisting of 4,799,161 Class A Common Shares in the capital of New Gen at a price of \$0.74 per Class A Common Share, whereby such 4,799,161 Class A Common Shares were exchanged for the Company's Subordinated Voting Shares on a 1-to-1 basis pursuant to the New Gen Transaction (See Note 6 of "Prior Sales"), as set out below:

- i) One (1) Class A Common Share of New Gen held by each New Gen shareholder was exchanged for one (1) Subordinated Voting Share of the Company (in total, 7,395,461 Class A Common Shares of New Gen were exchanged for 7,395,461 Subordinated Voting Shares of the Company on a one-for-one) basis; and
- ii) One (1) Class B Common Share of New Gen held by each New Gen shareholder was exchanged for one (1) Super Voting Share of the Company (in total, 625,287 Class B Common Shares of New Gen were exchanged for 625,287 Super Voting Shares of the Company).

As a result of the new shareholders, New Gen, the Company, and EFG Consultants, LLC entered into an amendment to the share exchange agreement.

## **Principal Products and Services**

### **Production and Sales - Cultivation**

New Gen, through its wholly-owned subsidiaries, manages cultivation, processing and retail operations on behalf of one Arizona "not-for-profit" Arizona corporation, HWC, which operates a dispensary under the name Herbal Wellness Center and produces and wholesales concentrates under the "VAPEN" trade name. HWC has service agreements (see "Material Contracts") with New Gen's operating subsidiaries, which are permitted under the provisions of a license granted to HWC pursuant to the Arizona Medical Marijuana Act to cultivate and grow cannabis plants and sell cannabis and cannabis-infused products to registered patients authorized by the state to purchase and consume same. The grant of a



license under the Arizona statute permits HWC to operate a full-service dispensary, a production and kitchen facility to produce cannabis-infused oils, edibles and other products derived from cannabis. While there are strict zoning regulations in respect of the location of these operations, unlike similar limitations in other states, there are no restrictions by the state as to plant count, square footage of production or volume of cannabis produced.

HWC is the holder of the following licenses issued by the State of Arizona:

- a) Medical Marijuana Dispensary Registration Certificate Number 00000086DCKR00375578, which became effective August 8, 2018 and expires on August 7, 2019. To renew, at least 30 calendar days before the expiration date of the dispensary's current dispensary registration certificate, a dispensary that has an approval to operate as a dispensary issued by the Arizona Department of Health Services shall submit to the Department an application to renew the dispensary registration certificate. As required from time to time, New Gen updates general information; Designated Principal Officer/Board Member Information; Medical Director; Hours of Operation; Principal Officer/Board Member, and Dispensary Agents. In addition, New Gen pays the annual renewal fee of \$1,000. There is no reason to presume that the license will not be reissued on its expiration. The Certificate has been issued pursuant to Title 36, Chapter 28.1 Arizona Revised Statutes and pursuant to Title 9, Chapter 17, Article 3, Department of Health Services rules and regulations. The certificate is not an approval to operate.
- b) Approval to Operate: Pursuant to the Approval to Operate, HWC is approved to cultivate medical marijuana at an offsite location in Arizona in strict compliance with the requirements of the State Medical Marijuana Act, which governs the acquisition, possession, manufacturing, delivery, transfer, transportation, supplying, selling, distributing or dispensing of medical marijuana. The dispensary site license was issued on August 8, 2018 and expires on August 7, 2019. The cultivation site license was approved on the same date and expires on the same date. There is no reason to believe that these licenses will not be renewed for further one- year terms. The State of Arizona issues these licenses for one-year terms only.
- c) Medical Marijuana Dispensary – Food Establishment License and Approval to Prepare, Sell, or Dispense Marijuana Infused Edible Food Products. The food products produced by HWC must be prepared, sold, and dispensed in accordance with 9 A.A.C.8 Article 1. The license number is 14-060. The food establishment license does not expire as long as the Approval to Operate is active. The authorization allows New Gen to prepare, sell, or dispense marijuana-infused edible food products. Approved customers include other dispensaries and any holder of a valid and current Arizona Medical Marijuana card.

HWC's products consist of a connoisseur-grade cannabis product line including quality flower; high quality shatter and wax; VAPEN Clear cartridges for pen, palm and pod style atomizers; VAPEN Clear applicator syringes; VAPEN Clear inhalers; THC syrups; VAPEN Kitchens edibles; and VAPEN-branded merchandise. Each of these products is produced pursuant to the services contracts between HWC and New Gen's five operating subsidiaries.

The major stages in the cannabis cultivation process are mothers, cloning, vegetation, flowering, curing and trimming. The entire process lasts from 100 to 130 days. However, New Gen's production are intentionally staggered such that plants are ready for harvest every week. Each plant is bar-coded and tracked in the inventory tracking system and is internally audited on a regular basis throughout the growth cycle. The plants are tracked throughout the process and are also weighed and tracked once harvested and ready for sale.

The cannabis flower is sold directly to patients through the licensed dispensary managed for HWC by New Gen. All of the trim from internal cultivation operations is used for oil extraction to produce shatter and wax to be sold through HWC and HWC's wholesale distribution network of other Arizona-based dispensaries.

The objective of expanding grow operations is to continue to develop proprietary expertise in the area of cannabis cultivation, to supply the processing facility with trim, and to provide a larger revenue stream for the licensees through the sale of both cannabis flower and VAPEN-branded extracts.

#### Production and Sales – Oil Extraction

Sales statistics from all legal states where marijuana is sold legally, including Arizona, point to a growing preference amongst consumers for cannabis oil products over the traditional dried cannabis flower. Cannabis oil can be vaporized and consumers can inhale the vapors. Alternatively, oil can be used to create other products such as shatter and wax, as well as used in edibles that can then be ingested. In many instances, this may provide a healthier and safer option to

consumers over smoking cannabis flower.

Cannabis oil is generally extracted from dried cannabis plant material, which is mostly comprised of small leaves and stems from the cannabis plant that are trimmed from the cannabis flower. This cannabis material is commonly referred to as “trim”.

The trimming process involves removing small leaves away from the flower or bud. The desirable cannabinoids that are found in marijuana plants are mostly concentrated in the mature cannabis flowers, but they are also found in the leaves and stem materials. Both the flowers and the trimmings are weighed and tracked in New Gen’s Biotrack inventory tracking system. The trim is then transferred to the processing department.

By using sophisticated extraction and distillation methods, New Gen is able to produce cannabis oils such as VAPEN Clear, shatter, wax, and edibles infused with VAPEN Clear, while monitoring and controlling the flavors and potency of these products.

Currently, New Gen uses the hydrocarbon extraction method for extracting crude and cannabis oil.

#### *Hydrocarbon Extraction*

Hydrocarbon or hydro-carbon/propane extraction uses non-polar hydrocarbon as a solvent. Hydro-carbon is especially well-suited for stripping dried cannabis material its cannabinoids, terpenes, and other essential oils while leaving behind the majority of unwanted chlorophyll and plant waxes.

New Gen operates multiple hydro-carbon extractors. Both machines utilize similar preparation and processing methodologies. During extraction, the solvent washes over the plant material and is then purged off from the resulting solution using a variety of techniques and variables such as heat, vacuum and agitation.

After obtaining hydro-carbon through this extraction method, the oil will be vacuum purged in a vacuum chamber to separate the cannabis oil from any remaining hydro-carbon gas. The vacuum oven is heated to release the hydro-carbon and propane, leaving behind only the extract. This “purging” process, depending on duration of exposure to vacuum and heat, will give the hydro- carbon characteristic textures, such as wax, crumble, shatter and butter.

These post-extraction processes also determine what the final texture of the product is, whether it be wax, shatter, or a more traditional sticky cannabis oil. Routinely testing between 85-92% THC, hydro-carbon is the most popular choice for “dabbing”, when properly-made, hydro-carbon extracted cannabis oil offers a very potent, direct, and flavorful method of ingesting cannabis.

The hydro-carbon process, unlike the CO2 process, generally requires higher quality cannabis material in order to have higher quality finished product(s). New Gen currently operates multiple hydro-carbon extraction systems for the processing and production of hydro-carbon extracted cannabis oil.

#### Product Description

HWC’s products consist of a diversified product line including quality flower, high quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC Syrups, VAPEN Kitchens edibles and VAPEN branded merchandise.

Each of these products is produced pursuant to the services contracts with New Gen’s five operating subsidiaries.

New Gen is the owner of a trademarked brand known more particularly as “VAPEN”. The VAPEN brand is marketed by HWC to other retail dispensaries in the State of Arizona. It is the Company’s intention to license the VAPEN brand to producers in other geographic locations within the United States and in foreign markets under exclusive, controlled quality assurance standards that, pursuant to an agreement, must be met and maintained with audit verification for continuous perfection to ensure strict compliance with the terms and conditions of the license. New Gen’s business development and brand licensing targets include California, Nevada, Oklahoma, Louisiana, and Florida.

#### Production Processes

The Company's production processes have been developed internally. For example, the Company maintains relationships with foreign contract manufacturers with prototype and design capabilities, and works with Clade 9 Plant Growth Systems (a team of experienced cultivators, managers, and scientists that develop and implement systems for commercial scale cannabis cultivation) as the Company's master grower with decades of experience with the cannabis plant, to develop standardized processes for optimizing cannabis cultivation and breeding. The Company believes that its processes are competitive but there is no assurance that a competitor with access to additional capital and technical expertise could not achieve the same operating results as demonstrated historically by the Company. The Company has developed these capabilities over time and currently provides them to HWC as its sole customer.

## Competitive Conditions

Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal at a federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that the Company can continue to expand its cannabis-related holdings by providing tailored, state law compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies, as evidenced by its Arizona operations. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets. See "*Risk Factors*".

### *Competitor Comparison*

Competitor	Description of Business	Operations Location
<b>Cannex Capital Holdings Inc.</b>	Delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States.	California; Washington, U.S.A.
<b>iAnthus Capital Holdings, Inc.</b>	iAnthus was created to capitalize on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for providing capital investment and expert management services ("value-added capital") to licensed cultivators, product manufacturers and dispensaries.	Florida; Maryland; Massachusetts; New Mexico; Nevada; New York; Oregon; Rhode Island; Vermont, U.S.A.
<b>MPX Biocetrical Corporation</b>	Multinational diversified cannabis company focused on the medical and adult use cannabis markets.  The company has a growing presence in the U.S. with imminent plans for ten dispensaries and four production facilities in four states. It also has a production facility under construction in Canada as well as a pending license application to Health Canada.	Arizona; Nevada; Massachusetts; Maryland, U.S.A.
<b>CannaRoyalty Corp.</b>	CannaRoyalty invests flexibly, assembling its platform of holdings via royalty agreements, equity interests, secured convertible debt, and licensing agreements in various businesses in the United States and Canada.	California; Washington; Arizona; Florida; Nevada, U.S.A.  Canada

<b>Liberty Health Sciences Inc.</b>	Acquire and operate U.S. – based companies in the medical cannabis market. Liberty is committed to delivering high-quality, clean and safe pharmaceutical grade cannabis to patients while optimizing returns to our shareholders.	Florida, U.S.A.
<b>Curaleaf Holdings, Inc.</b>	Curaleaf’s subsidiaries and managed entities are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon; have a licensing application pending in the State of California; and have partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth of Pennsylvania.	Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon U.S.A.
<b>1933 Industries Inc. (formerly Friday Night Inc.)</b>	Owns and controls cannabis and hemp-based assets in Las Vegas Nevada as well as an international cannabis and mining security logistics consulting firm.	Nevada, U.S.A.
<b>Golden Leaf Holdings Ltd.</b>	One of the largest cannabis oil and solution providers in North America and is a leading cannabis company in Oregon. With a product portfolio built around recognized brands, the Company strives to provide cannabis users with superior value and experience.	Oregon, U.S.A.

## Markets - Arizona

After the narrow defeat of a ballot initiative in 2016 that would have approved adult use of cannabis, Arizona remains a medical-only state. As at November 30, 2018, there were approximately 183,789 medical cards approved and registered under the Arizona Medical Marijuana Act. Out-of-state patients may also possess medical marijuana in Arizona as described below. This large and growing patient community is served by approximately 100 operating medical marijuana enterprises which are licensed to cultivate and sell cannabis products to patients. This number compares favorably to many other states where several hundred market participants are permitted. The competitive landscape in Arizona is limited by regulation. The state is divided into several Community Health Analysis Areas and the number of dispensaries is regulated to permit only one dispensary for every ten (10) licensed pharmacies within each such area. Currently that limits the number of licensed cannabis businesses in the state to 130. While 130 licenses have been issued, approximately 110 businesses are currently operating. Cannabis businesses must operate within strict guidelines imposed by the state regulations, making capital and operating costs higher than for businesses of similar size, but the limited number of participants has helped to keep selling prices and profit margins at comfortable levels.

The Company operates cultivation, processing and dispensary operations in the State of Arizona, all within the greater Phoenix area (population approximately 4.6 million). A concentration on the expansion of high-quality flower cultivation and the production, continued marketing of its award-winning VAPEN brand concentrates, and the operation of a customer service-oriented retail store environment at its dispensary will continue to produce favorable revenue growth in Arizona.

## Proprietary Protection

The Company currently relies on a combination of an Arizona registered trademark (“VAPEN”), trade secrets, and proprietary knowledge to protect its intellectual property, the most significant of which is its standard operating procedures. In addition, Mr. Nguyen has applied for a patent pending with respect to a Metered Dose Inhaler Compositions, Systems, and Methods Claim. New Patent Application 15/905,662 filed 2/26/18 and intends to assign it to the Company if the patent is issued.

## Employees

As of December 31, 2018, New Gen had one hundred and twenty-three (123) employees. The Company also relies on consultants and contractors to conduct its operations.

## Foreign Operations

The Company, through its wholly-owned subsidiary New Gen and New Gen's operating subsidiaries, conducts its business in the State of Arizona in the United States.

## Bankruptcy and Similar Procedures

The Company, including all of its direct and indirect subsidiaries, has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

## Industry and Regulatory Overview

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

The Company is involved in activities that, according to Staff Notice 51-352, would categorize the Company as a U.S. Marijuana Issuer with ancillary involvement in the cultivation and distribution of cannabis in the State of Arizona. As of the date hereof, the Company has no further direct or indirect cannabis-related activity elsewhere in the United States. As a result of the Company's investments in the State of Arizona, the Company is subject to Staff Notice 51-352 and accordingly provides the following disclosure:

The Company operates in the United States as more specifically described below.

State	Companies	Type of Investment	Permitted Number of Facilities
Arizona	New Gen	100% Equity Ownership	N/A <sup>(1)</sup>

### Notes:

- (1) The Company, through its subsidiaries, holds assets including real estate leased to HWC, consisting of one facility designed for cultivation and processing totaling 28,000 square feet in Phoenix, Arizona as well as equipment and other tangible and intangible assets and all of the intellectual property. The foregoing assets are held by the Company's subsidiaries, New Gen Agricultural, New Gen Admin, and New Gen Real Estate and are classified as "ancillary" involvement in the United States cannabis industry for the purpose of Staff Notice 51-352. The AHS regulates Arizona's marijuana regulatory program. Applicable regulation in Arizona requires licensed operators and all shareholders to be resident of Arizona and accordingly, the Company, as a publicly listed company, is unable at this time to acquire a direct license under Arizona's marijuana regulatory program. However, the Company is not required to have any special licenses or permits to operate its business and the contractual services that New Gen performs for HWC are performed under the licenses and permits held by HWC.

## United States Federal Overview

In the United States, twenty-nine states, Washington D.C., and Puerto Rico have legalized medical marijuana, while nine states and Washington D.C. have also legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the *Controlled Substances Act of 1970* (the "CSA"). Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or

distribution of cannabis remains illegal under United States federal.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**") issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or recreational cannabis programs. The Cole Memorandum, while not legally binding, served as prosecutorial guidance, and laid a framework for managing the conflict between state and federal laws concerning state-regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a longtime opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated marijuana industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, A.G. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in so doing: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the production, sale, and disbursement of medical or recreational marijuana, even if state law sanctioned such production, sale, and disbursement. It remains unclear whether the risk of enforcement has actually been altered.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be

found guilty of money laundering, aiding and abetting, or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum on February 14, 2014 (the “**FinCEN Memorandum**”) outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a Suspicious Activity Report (“**SAR**”) in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These marijuana-related SARs are divided into three categories: (i) marijuana limited; (ii) marijuana priority; and (iii) marijuana terminated, based on the financial institution’s belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated.

On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the “**2014 Cole Memo**”) directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, Attorney General Sessions’ revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

### ***Enforcement of U.S. Federal Laws***

For the reasons set forth above, the Company’s existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to invest in the United States or other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public’s perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company’s expansion strategy may have a material adverse effect on the Company’s business, financial condition and results of operations.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

### ***U.S. Enforcement Proceedings***

The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to

be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, as noted above, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Sessions.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place, because the Department of Justice memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625—a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (“**Leahy Amendment**”). The Leahy Amendment was set to expire with the 2018 Fiscal Year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the “**Continuing Resolution**”). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018.

Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be acted in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry.

#### Joyce Amendment

On May 17, 2018 the U.S. House of Representatives Appropriations Committee approved the inclusion of the Rohrabacher-Blumenauer Amendment (previously, the Rohrabacher Farr Amendment), which adds a provision to prohibit the U.S. Department of Justice from using funding to prevent states from implementing medical marijuana laws through the end of fiscal year 2019, known as the “Joyce Amendment”.

#### 2018 Farm Bill

In December 2018, President Trump signed the 2018 Farm Bill, which contained certain provisions legalizing the production, extraction, interstate commerce, etc., of industrial hemp. Industrial hemp is defined as hemp which contains less than .3% THC, the cannabinoid most commonly associated with intoxication which is contained within cannabis and hemp plants, on a dry weight basis. This bill legalizes U.S. hemp for production and sale across state lines for research and commercial uses for all hemp that meets all the following criteria: the hemp contains less than 0.3% THC; the producer of the hemp is licensed by the state where it was grown; and the state where it was grown has a hemp program approved by the USDA. Each state is allowed to submit a hemp regulatory program for USDA approval. The USDA will be working on reviewing submitted programs and constructing a hemp regulatory program for all states with no submitted program. No programs are currently approved by the USDA. Once a program is approved, producers may apply for licenses under the program and sell hemp legally for all purposes after the license is obtained. Hemp is a genetically related plant to cannabis and has long been prohibited based at least in part on its similarity to cannabis, which tends to contain significantly higher amounts of THC than hemp. Hemp, unlike cannabis plants which tend to be richer in THC, is the most common source of CBD. Research suggests that CBD is a non-psychoactive cannabinoid which may have several therapeutic effects. CBD is increasingly becoming popular as a wellness product, and its usage as an adjunct to THC is increasing as well. Management believes hemp legalization is positive for a number of reasons: (1) CBD source material will likely become cheaper, leading to lower cost basis in certain CBD-infused products sold by the Company; and (2) hemp legalization suggests liberalizing legislator and executive attitudes towards cannabis.

#### ***Compliance with Applicable State Law in the United States***

Each state licensee owned by or with a business relationship with the Company complies with applicable U.S. state licensing requirements as follows: (1) each licensee is licensed pursuant to applicable U.S. state law to cultivate, possess, and/or distribute marijuana in such state; (2) renewal dates for such licenses are docketed by legal counsel



and/or other advisors; (3) internal audits of the licensee's business activities are conducted by the applicable state regulator and by the respective investee to ensure compliance with applicable state law; (4) each employee is provided with an employee handbook that outlines internal standard operating procedures in connection the cultivation, possession, and distribution of marijuana to ensure that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked and using scanners to confirm each customer's legal age and the validity of each customer's drivers' license; (5) each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance; (6) software is used to track marijuana inventory from seed to sale; and (7) each licensee is contractually obligated to the Company to comply with applicable state law in the United States in connection with the cultivation, possession, and/or distribution of marijuana.

The Company has engaged Rose Law Group PC of Arizona as counsel and has obtained an opinion that its corporate structure and related business operation is compliant with relevant Arizona law. In addition, the opinion confirms that the corporate structure and business operations of New Gen and its operating subsidiaries, their contractual arrangements and agreements with HWC, and the operations of HWC, are in compliance with the Arizona Medical Marijuana Act, and the applicable law, rules and regulations of Arizona, including the Arizona Department of Health Services. The Company's United States legal counsel reviews, from time to time, the licenses and documents referenced above in order to confirm such information and identify any deficiencies.

Each business holding a contractual relationship with the Company and/or its subsidiaries, that is a License Holder holds licenses that are in good standing to cultivate, possess and/or wholesale marijuana in its respective state in the United States in compliance with its respective state marijuana regulatory program. To the knowledge of the Company, no licensee has experienced any material non-compliance that would endanger the status of any license. Specifically, management has been informed by HWC that HWC holds licenses that are in good standing in the State of Arizona, has been supplied with copies of the active license certificates, and has no reason to believe that HWC is not in compliance with applicable state law.

The Company, and its subsidiaries, is in compliance with applicable U.S. state and local law. The Company has engaged United States legal counsel to advise the Company in connection with compliance with Arizona law on an ongoing basis. The Company will continue to work closely with U.S. counsel to develop and improve its internal compliance procedures and will defer to their legal opinions and risk mitigation guidance regarding Arizona's regulatory framework.

#### ***Cole Memorandum and Continued Review of Changes in Law***

Aside from complying with applicable state law of the United States, each License Holder takes the following steps to ensure its marijuana operations are conducted in a manner consistent with the United States federal enforcement priorities articulated in the memorandum dated August 29, 2013 addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the United States, and having the subject line "Guidance Regarding Marijuana Enforcement" (the "**Cole Memorandum**"). Pursuant to the Cole Memorandum, such enforcement priorities are to: (1) prevent the distribution of marijuana to minors by using scanners to confirm each customer's legal age and the validity of each customer's driver's license; (2) prevent revenue from marijuana from going to criminal enterprises, gangs, and cartels by conducting background checks on each owner of an licensee, employee, and/or prospective employee and by ensuring that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked; (3) prevent the diversion of marijuana from states where it is legal under state law in some form to other states by only dispensing marijuana through licensed dispensaries located in states where marijuana is legal under state law in some form and not dispensing any quantity of marijuana to a customer in excess of the legal limits under applicable state law (e.g., 2 ounces); (4) prevent state authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity by prohibiting the sale of any inventory other than marijuana inventory and accessories; (5) prevent violence and the use of firearms in the cultivation and distribution of marijuana by ensuring that each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance, prohibiting employees from bringing firearms on the premises, and ensuring that safes are used to store large amounts of proceeds from the sale of marijuana inventory; (6) prevent drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use by prohibiting the consumption of marijuana on the premises, prohibiting the usage of harmful pesticides on marijuana inventory and testing marijuana inventory to confirm a lack of harmful pesticides and ideal cannabinoid levels; (7) prevent the growing of marijuana on federal lands and the attendant public safety and environmental dangers posed by unregulated marijuana production on federal lands by only cultivating, possessing, or dispensing marijuana on

private property with all requisite licenses and permits to cultivate, possess, and/or distribute marijuana on such private property; and (8) prevent marijuana possession or use on federal property by only cultivating, possessing, and dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess and/or distribute marijuana on such private property.

On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum.

The Company's United States legal counsel reviews, from time to time, each License Holder's procedures with respect to the Cole Memorandum in order to confirm if each License Holder's operations are conducted in a manner consistent with the guidelines noted Cole Memorandum. Despite the rescission of the Cole Memorandum, the U.S. Department of Justice continues to have discretion to enforce federal drug laws, which discretion remained when the Cole Memorandum was originally issued in 2013. In addition, the Company, along with its United States legal counsel and other professional advisors, regularly monitor the activities of the Trump Administration for evidence and/or indications of current or anticipated cannabis policy and guidance, and the Company governs its actions accordingly.

### ***Ability to Access Public and Private Capital***

The Company has historically, and continues to have, access to equity financing from prospectus exempt (private placement) markets in Canada. Specifically: (i) From incorporation to December 31, 2018, the Company has issued 630,500 Subordinated Voting Shares in initial financing rounds for gross proceeds of \$16,944; and (ii) in connection with the New Gen Transaction, the Company issued 7,395,461 Subordinated Voting Shares and 625,287 Super Voting Shares upon closing of the New Gen Transaction. Going forward, the Company expects New Gen and its subsidiaries to be self-sustaining and, accordingly, no funds will be repatriated from the United States to the Company in Canada, and any future debt or equity financings will be funding the Company's operations.

If such equity and/or debt financing was not available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately. Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis companies. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "Risk Factors" hereto.

### ***Financial Transactions***

Certain financial institutions in Canada and the U.S. will not allow companies who generate funds from the sale of cannabis and cannabis related products to open bank accounts or process the transfer of funds from the sale of cannabis.

Specifically, the federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the money laundering statutes (18 U.S.C. § 1956 and 1957), the unlicensed money transmitter statute (18 U.S.C. § 1960), and the Bank Secrecy Act (the "BSA"). Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from marijuana-related businesses in the U.S. must do so in compliance with the FinCEN Memorandum and the 2014 Cole Memo, each dated February 14, 2014. The Cole Financial Crime Memo states that prosecutors should apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The FinCEN Memo provides guidelines to banks on how to accept deposits from marijuana-related businesses while remaining compliant with the BSA. The Financial Crime Enforcement Network has not rescinded the FinCEN Memo following the U.S. Department of Justice's January 4, 2018 announcement rescinding the Cole Memorandum.

Currently, management expects to be able to transfer any funds owed to the Company by New Gen (or its subsidiaries) into any bank accounts held by the Company outside of the United States. However, given the regulatory uncertainty with respect to banking and cannabis in the United States, such ability to transfer may be eliminated and/or hampered

at any time. In the foreseeable future, the Company expects any amounts payable by New Gen (or its subsidiaries) to the Company to be paid to New Gen or deployed in other investments in the United States. The Company expects to fund its operations through New Gen and its subsidiaries' cash flow from operations. The Company may also consider future debt or equity financings.

### ***State-Level Overview***

The following sections present an overview of market and regulatory conditions for the marijuana industry in U.S. states in which the Company has a substantial operating presence and is presented as of July 2018, unless otherwise indicated. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

#### **Arizona State**

In 1996, Arizona passed Proposition 200, allowing doctors to prescribe medical marijuana (specifically, controlled substances) to treat diseases or relieve pain in seriously/terminally ill patients. In order for a patient to use medical marijuana, a doctor had to provide scientific evidence to prove marijuana's usefulness along with a second doctor's opinion to the ADHS. This caused conflict between supporters and opponents of medical marijuana, and started a lengthy battle over the law's lack of specificity in addition to the language "prescribe." For a doctor to prescribe medicine, the substance must first undergo U.S. Food and Drug Administration (the "FDA") trials and doctors must specify the exact dosage and consumption methods to be used. Unfortunately, this rendered Prop 200 illegal on a federal scope and a medical marijuana program never materialized. It did, however, protect first-time drug offenders from prison sentences, which was a step towards decriminalization.

Arizona tried once more to legalize medical marijuana in 2002 with Proposition 203, but the initiative failed, receiving 42.7% of the vote. A viable solution was not presented and approved until nearly a decade later.

In 2010, Arizonans voted to approve a much-revised version of Proposition 203, an initiative to legalize the medicinal use of marijuana. Proposition 203 authorized doctors to recommend cannabis as a therapeutic option, as opposed to prescribing a specific dosage of cannabis with strict consumption or application methods. This law also tasked ADHS to regulate the "Arizona Medical Marijuana Act."

The ADHS had until April 2012 to establish a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by law officials and dispensaries to verify a patient's status as such. It also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase cannabis).

On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale.

In 2012, Arizona legislators amended the Arizona Medical Marijuana Act to include college and university campuses in their non-consumption list, even if the cardholder was over 21 years old. However, in April 2017, this ruling was overturned by the Arizona Court of Appeals, and though colleges can privately prohibit medical marijuana on campus, lawmakers cannot make campus cannabis use illegal.

The people of Arizona took advantage of the ADHS's qualifying condition appeal process in 2013 when they petitioned to include PTSD, migraines, and depression among the list of qualifying medical conditions. Following due process, the Director of the ADHS denied the petition.

While it seemed like the Arizona population was becoming more tolerant of cannabis, it proved too soon to jump to recreational legalization. In 2016, Arizonans narrowly voted no on Prop 205 by a margin of 48:52, which would have legalized the adult use of marijuana. Ballotpedia attributes this loss to heavy early campaigning by opponents of recreational marijuana years before the election process. Opponents such as Insys, the creators of Fentanyl, lobbied heavily against recreational cannabis — their CBD medicine passed the first phases of FDA trials earlier in 2016. This loss resulted in a significant surge in new medical marijuana patients, many of whom were waiting to get their card only

if the recreational law failed to pass.

Despite various lawmakers' attempts to place limitations on Arizona's medical marijuana law, the program is growing larger each year.

The Arizona Medical Marijuana Act empowers Arizona doctors to recommend medical marijuana as a viable treatment option for Arizona patients diagnosed with at least one qualifying medical condition. With this recommendation, a patient may apply for an Arizona Medical Marijuana Card, a card that allows patients to possess, purchase, and use medical marijuana.

Arizona marijuana patients or caregivers may possess up to 2.5 ounces of marijuana at any given time, and obtain 2.5 ounces in a 14-day period from an Arizona medical marijuana dispensary. Patients can also be authorized to grow up to 12 marijuana plants for their own use, or otherwise, find a caregiver to grow cannabis for them if they reside more than 25 miles from the nearest medical marijuana dispensary.

The patient must have one of the below qualifying medical conditions, and their physician must determine that the patient indeed has a qualifying condition. The written certification would state the doctor believes, in their professional opinion, the patient would likely receive therapeutic benefit from medical marijuana use.

- ALS
- Alzheimer's disease
- Cancer
- Crohn's disease
- Glaucoma
- HIV/Aids
- Hepatitis C
- Cachexia/Wasting Syndrome
- Muscle spasms
- Nausea
- Seizures
- Severe and chronic pain

Once a patient has received their written certification from an Arizona doctor, they may apply to the ADHS for a registry identification card, a card that grants patients and caregivers the authority to possess, purchase, and use medical marijuana legally.

To apply for a registry identification card, patients must submit their written certification, the application fee, their personal information, and a statement declaring they won't use their medical marijuana for nefarious purposes (i.e. sell it to kids). If a minor wants to be a medical marijuana patient, there are stricter rules to follow before they can qualify for their card.

Some patients in critical need of cannabis are unable to travel easily to purchase or even consume cannabis without some assistance. Arizona included regulations to cover the people who would take care of these patients, such as a child or an elderly parent, known as caregivers, allowing them to assist patients (up to five) in the medical use of marijuana.

Caregivers must educate themselves on the different aspects of marijuana, like different strains, consumption methods, and their patients' specific health needs. Arizona caregivers must follow all the same regulations as patients, including registering with the ADHS and carrying an ID card.

As federal law still classifies marijuana as a Schedule 1 drug (without medicinal value), Prop 203 and other medical cannabis laws were designed to protect citizens' rights. Arizona medical marijuana patients are supposed to be treated like every other resident. The American Medical Marijuana Act's regulations protect the rights of patients and caregivers in certain circumstances:

- A school or landlord may not refuse to enroll/lease to a qualifying patient unless failing to do so would incur ramifications under federal law.

- Medical facilities cannot deny treatment to patients based on their status as a medical marijuana user.
- Parental rights cannot be denied based on a parent's status as an Arizona medical marijuana patient.

While these protections are essential, they do not provide for every eventuality. Employers may not discriminate against employees who are medical marijuana patients, and may not penalize them for a positive drug test. However, employees cannot use or possess marijuana during the hours of work. Employers may lawfully discipline and even terminate any employee who tests positive for marijuana if they used or possessed during work hours, even if the employee is a registered patient.

Despite nearly twenty (20) years of progress toward decriminalization and regulation, Arizona is still one of the toughest states in the nation when it comes to marijuana. Even minor possession is a felony for those who aren't medical marijuana patients, with a maximum sentence of 3.75 years and a \$150,000 fine.

Doctors are the gatekeepers to medical marijuana. In all medically legal states, doctors must fully evaluate their patients and determine whether cannabis is a fit for their medical needs and whether they have a qualifying condition. This places considerable responsibility on doctors' shoulders, which most Arizona doctors bear with professionalism and true concern for their patients. The physician must be a doctor of medicine, a doctor of osteopathic medicine, a naturopathic physician, or a homeopathic physician who holds a valid license to practice in Arizona.

Physicians meet patients, either in person or via telemedicine services, to determine if the patient has a qualifying condition before signing a written certification stating that, in their professional opinion, the patient has a qualifying condition and would likely receive therapeutic benefits from medical marijuana use.

Arizona allows non-Arizona medical marijuana patients the same rights and protections as Arizona citizens. The law states a Registry Identification Card, or its equivalent, issued by another state is valid in Arizona, except in that a visiting qualifying patient may not obtain marijuana from an Arizona marijuana dispensary. Instead of acquiring medical marijuana from a dispensary, a visiting qualifying patient can obtain medical marijuana from another registered Arizona patient or designated caregiver can offer and provide medical marijuana so long as nothing of value is given in return, and the recipient does not end up possessing more than 2.5 oz. of marijuana.

All Arizona marijuana dispensaries are required to be non-profit organizations. Dispensaries may charge for medical marijuana as part of the expenses incurred during business operations. Patients can purchase up to 2.5 ounces of marijuana every two weeks, either as flower or an equivalent amount in concentrate, edibles, or other cannabis product forms.

## **Market**

The international cannabis industry continues to go through a period of strong growth as deregulation and increased consumer interest are poised to drive the market past US\$30 billion by 2021<sup>1</sup>.

The Company believes the full potential of domestic and international cannabis markets is not yet realized. The decriminalization of cannabis for both medical treatment and recreational applications is a well adopted global trend therefore the Company is corporately structured to provide a comprehensive range of flexible options for licensed cannabis cultivators, processors and dispensaries, both domestically and internationally.

The emerging United States legal cannabis industry is booming, taking in approximately US\$9 billion in sales in 2017. Eight states and the District of Columbia now allow for recreational cannabis use and 30 allow for medical use. Over the past five years, legalization has spread across the United States. There is an industry consensus that national cannabis sales will continue to rise to US\$11 billion by the end of 2018<sup>2</sup>.

In Arizona, the state permits the use of cannabis to treat or alleviate symptoms of over 20 medical conditions, including chronic pain. As at November 30, 2018, there were approximately 183,789 medical cards approved and registered under the Arizona Medical Marijuana Act and that number has been steadily increasing. The Arizona market size for medical cannabis in 2018 was US\$400 million represented by the sale of 122,000 pounds of marijuana up from 87,000 pounds in 2017. <sup>3</sup>

<sup>1</sup> Zhang, M. (2017, November 07). The Global Marijuana Market Will Soon Hit \$31.4 Billion But Investors Should Be Cautious. <https://www.forbes.com/sites/monazhang/2017/11/07/global-marijuana-market-31-billion-investors-cautious/#1370a8c97297>.

<sup>2</sup> Smith, Aaron. (2018, January 31). The U.S. legal marijuana industry is booming. Retrieved from <http://money.cnn.com/2018/01/31/news/marijuana-state-of-the-union/index.html>.

<sup>3</sup> Marijuana Business Daily, January 18, 2019.

## Future Developments

The Company will continue to evaluate changing cannabis regulations and landscape within the United States and internationally to expand operations in opportune locations. The Company will also evaluate new technologies which may be utilized in the Company's facilities in the future. The Company may directly develop new technology and consumer products itself.

## USE OF AVAILABLE FUNDS

Since no securities are being sold pursuant to this Prospectus, no proceeds will be raised.

### Funds Available

This is a non-offering Prospectus. The Company is not raising any funds in conjunction with this Prospectus and, accordingly, there are no proceeds to be raised by the Company pursuant to this Prospectus.

There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained, or at all. See "*Risk Factors*".

As of March 31, 2019, the most recent month end prior to the date of the Prospectus, the Company has cash on hand of approximately \$1,927,058 and a consolidated working capital of \$15,257,558. Based upon Management's current intentions, the estimated expenditures for which the total available funds will be used in the 12 months after the date hereof are as follows:

Item	\$
<b><u>Funds Available</u></b>	
Working capital of the Company as at March 31, 2019	15,939,381
<b>Total Available Funds</b>	<b>15,939,381</b>
<b>Principal Purposes for the Available Funds</b>	
Add Phase IV physical plant for cultivation <sup>(1)</sup>	1,500,000
Expansion of management services contracts to independent third parties that are licensed cannabis holders throughout the United States <sup>(1)</sup>	500,000
Unallocated operating working capital	13,939,381
<b>Total</b>	<b>15,939,381</b>

Notes:

(1) See "*Business Objective and Milestones*" below.

The total working capital available to the Company, on a consolidation basis, as at March 31, 2019 amounts to \$15,939,381 (\$1,927,058 of which is cash), and will be allocated towards building the Phase IV physical plant for

cultivation (\$1,500,000), expanding the management services contracts to licensed cannabis holders throughout the United States (\$500,000), and unallocated working capital (\$13,939,381) which is mostly accounts receivable financing, to provide ongoing working capital to fund both continued organic growth of the business and ongoing operating working capital for the existing operations.

The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the cannabis industry, projects may be frequently reviewed and reassessed. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations.

The Company expects to cover its expenses and working capital requirements for the next twelve months from revenue derived from operations and does not anticipate undertaking any debt or equity financings in the near term.

### **Business Objectives and Milestones**

The primary business objectives for the Company over the next 12 months are:

<b>Business Objectives</b>	<b>Timeline</b>	<b>Expected Cost</b>
Add Phase IV physical plant for cultivation	December 2018 to December 2019	\$1,500,000
Expansion of management services contracts to independent third parties that are cannabis license holders throughout the United States	December 2018 to December 2019	\$500,000

### **Specific Milestones**

With respect to New Gen's primary business objectives over the next 12 months, New Gen has identified the following specific milestones:

- a) To increase current cultivation capacity through completion of a Phase IV expansion estimated at approximately 9,000 square feet of additional space in a separate facility to be leased in order to add more cultivation rooms.
- b) To enter into services agreements with licensed cannabis producers, wherein New Gen will operate the location using its standard operating procedures, improve operational performance, increase revenues and profitability of the operation, and share in the gross revenues from the customer. New Gen intends to target contracts in Nevada, California, Oklahoma, Florida, and Louisiana over the following twelve months. New Gen may operate the cultivation, extraction, and/or dispensary operations in consideration of a service fee. Depending on the terms of the service agreement, the product to be sold by the customer may bear the VAPEN brand. New Gen may be required to invest in equipment necessary to advance the expansion. The result is that New Gen will expand its geographic footprint using its existing infrastructure, thereby dispensing with the need to invest significant funds in building a physical plant or acquiring licenses that would be typically required to operate. The capital necessary to accomplish this objective will be minimal, and related only to the cost of marketing the service to potential customers. New Gen has allocated approximately \$500,000 for this purpose in its capital resource requirements.

### **DIVIDENDS OR DISTRIBUTIONS**

The Company has not declared dividends on any of their shares in the past and do not intend to pay any in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

## SELECTED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information for the Company and New Gen, summarized from the consolidated financial statements for the years ended December 31, 2018 and December 31, 2017, attached as Schedule “E” hereto.

	December 31, 2018	December 31, 2017
Total Revenue	\$ 18,476,269	14,848,730
Cost of Sales and Operating Expenses	\$ 12,906,239	10,741,498
Net Income	\$ 3,748,562	4,107,232
Total assets	\$ 23,434,185	13,840,997
Total liabilities	\$ 6,433,610	5,066,284
Net Income per share (basic and diluted)	\$ 0.06	0.06
Total liabilities and shareholders’ equity	\$ 23,434,185	13,840,997

The following financial data, which has been prepared in accordance with International Financial Reporting Standards (IFRS), is derived from New Gen’s financial statements.

	December 31, 2017	December 31, 2016
Total Revenue	\$ 14,848,730	12,336,283
Cost of Sales and Operating Expenses	\$ 10,741,498	7,570,584
Net Income	\$ 4,107,232	4,765,699
Total assets	\$ 13,840,997	8,241,226
Total liabilities	\$ 5,066,284	3,573,745
Net Income per share (basic and diluted)	\$ 0.06	0.07
Total liabilities and shareholders’ equity	\$ 13,840,997	8,241,226

The following table sets out selected financial information derived from the Company’s financial statements for the financial years ended December 31, 2017 and December 31, 2016. These financial data are prepared in accordance with IFRS. See “Selected Financial Information”.

	December 31, 2017	December 31, 2016
	\$	\$
<b>OPERATIONS</b>		
Revenue	Nil	Nil



Net Loss	1,932	4,687
Other comprehensive income (loss)	Nil	Nil
Basic and diluted loss per share	0.00	0.01
<b>BALANCE SHEET</b>		
Working capital (deficiency)	60,325	12,257
Total assets	60,467	12,399
Total non-current liabilities	Nil	Nil
Cash dividends declared	Nil	Nil

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Attached to this Prospectus at Schedule "B" is the Company MD&A. The Company's MD&A provides an analysis of the Company's financial results for: (i) the years ended December 31, 2017 and December 31, 2016, which should be read in conjunction with the audited financial statements of the Company for the corresponding period, and the notes thereto respectively.

Attached to this Prospectus at Schedule "D" is New Gen's MD&A. New Gen's MD&A provides an analysis of New Gen's financial results for: (i) the years ended December 31, 2017 and December 31, 2016, which should be read in conjunction with the financial statements of New Gen for the corresponding period, and the notes thereto respectively.

Attached to this Prospectus at Schedule "F" is the Company's MD&A for the consolidated financial statements. The Company's MD&A provides an analysis of the Company's financial results for: (i) the years ended December 31, 2018 and December 31, 2017, on a consolidated basis with the financial results of New Gen, which should be read in conjunction with the consolidated financial statements for the corresponding period, and the notes thereto respectively.

Certain information included in the Company's MD&A and New Gen's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Forward-Looking Statements*" for further details.

## DESCRIPTION OF THE SECURITIES

The authorized capital of the Company includes an unlimited number of Subordinated Voting Shares and an unlimited number of Super Voting Shares with multiple voting rights.

The holders of Subordinated Voting Shares are entitled to receive notice of and to attend and vote at all meetings of the Company Shareholders and each Subordinated Voting Share confers the right to one vote in person or by proxy at all meetings of the Company's shareholders. The holders of the Subordinated Voting Shares are entitled to receive such dividends in any financial year as the Company's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Subordinated Voting Shares are entitled to share rateably, together with holders of Super Voting Shares, in such assets of the Company as are available for distribution.

The Subordinated Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. The Company has complied with the requirements of Part 12 of National Instrument 41-101 – *General Prospectus Requirements* to be able to file a prospectus under which the Subordinated Voting Shares

or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, the Subordinated Voting Shares are distributed, as the Company received the requisite majority approval of shareholders of the Company, at a special meeting of the shareholders held on April 5, 2019, in accordance with applicable law, including Section 12.3 of NI 41-101. In addition, the Company received the majority approval of shareholders of the Company, at the annual and special meeting of shareholders held on December 17, 2018, for the creation of the Super Voting Shares. The amendment constituted a “restricted security reorganization” within the meaning of such term under applicable Canadian securities laws.

As of the date of this Prospectus, the Subordinated Voting Shares represent approximately 16.69% of the voting rights attached to outstanding securities of the Company and the Super Voting Shares represent approximately 83.31% of the voting rights attached to outstanding securities of the Company.

Assuming the conversion in full (in exchange for Subordinated Voting Shares) of all convertible securities of the Super Voting Shareholders, but otherwise assuming that other convertible, exercisable or exchangeable securities of the Company remain outstanding, holders of Super Voting Shares would hold approximately 83.31% of the equity of the Company, while holders of Subordinated Voting Shares would hold approximately 16.69% of the equity of the Company.

The rights and restrictions of the Super Voting Shares are set forth below:

The Super Voting Shares rank *pari passu* with the Subordinated Voting Shares as to dividends and upon liquidation.

The holders of Super Voting Shares (the “**Super Voting Shareholders**”) are entitled to receive dividends and distributions payable in respect of Subordinated Voting Shares, out of any cash or other assets legally available therefor, received by shareholders, distributed among the Super Voting Shareholders and the holders of Subordinated Voting Shares based on (i) the number of Subordinated Voting Shares and (ii) the number of Super Voting Shares (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinated Voting Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations as defined herein) issued and outstanding on the record date. The “**Conversion Ratio**” for each Super Voting Share shall be as follows: each Super Voting Share shall be convertible into 100 Subordinated Voting Shares.

In the event of any Liquidation Event (as defined below), the Super Voting Shareholders shall be entitled to receive the assets of the Company, or other consideration payable or distributable as a result of the Liquidation Event, available for distribution to shareholders, distributed among the Super Voting Shareholders and the holders of Subordinated Voting Shares based on (i) the number of Subordinated Voting Shares and (ii) the number of Super Voting Shares (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinated Voting Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations as defined herein) issued and outstanding on the record date.

“**Liquidation Event**” shall mean (i) any voluntary or involuntary liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by or the combination, merger or consolidation of the Company with another entity by means of any transaction or series of related transactions (including, without limitation, any sale, acquisition, reorganization, merger or consolidation but excluding any transaction effected exclusively for the purpose of changing the domicile of the Company; (iii) a sale of all or substantially all of the assets of the Company; unless, in the case of (ii) or (iii), the Company’s shareholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company’s acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity.

The Super Voting Shareholders shall have the right to one vote for each Subordinated Voting Share into which such Super Voting Shares are convertible (disregarding the Conversion Limitations defined herein), and with respect to such vote, such holder shall have voting rights and powers equal and identical to the voting rights and powers of the holders of Subordinated Voting Shares, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders’ meeting and shall be entitled to vote, together with holders of Subordinated Voting Shares, with respect to any matter upon which holders of Subordinated Voting Shares have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Subordinated Voting Shares into which Super Voting Shares are convertible and disregarding the Conversion Limitations defined herein) shall be rounded up or down to the nearest whole number (with one-half being rounded

upward). Except as provided by law, Super Voting Shareholders shall vote the Super Voting Shares together with the holders of Subordinated Voting Shares as a single class.

Super Voting Shareholders shall have conversion rights as follows (the “**Conversion Rights**”):

- (a) **Right to Convert.** Subject to the Conversion Limitations defined herein, each Super Voting Share shall be convertible, at the option of the Super Voting Shareholder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Subordinated Voting Shares as is determined by multiplying the number of Super Voting Shares by the Conversion Ratio applicable to each such share, determined as hereafter provided, in effect on the applicable date the Super Voting Shares are surrendered for conversion.
- (b) **Automatic Conversion.** Each Super Voting Share shall automatically be converted without further action by the Super Voting Shareholder or any other person into Subordinated Voting Shares at the applicable Conversion Ratio immediately upon the earliest of:
  - (i) the Subordinated Voting Shares issuable upon conversion of all the Super Voting Shares are registered for resale and may be sold by the Super Voting Shareholder pursuant to an effective registration statement and/or prospectus covering the Subordinated Voting Shares under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”);
  - (ii) the Company files a Securities Exchange Commission Form 20-F to register its Subordinated Voting Shares with the United States Securities and Exchange Commission;
  - (iii) the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934;
  - (iv) the Subordinated Voting Shares are listed or quoted (and are not suspended from trading) on a national securities exchange in the United States registered under Section 6 of the U.S. Securities Exchange Act of 1934, as amended, or quoted in a “U.S. automated inter-dealer quotation system”, as such term is used for purposes of Rule 144A(d)(3)(i); or
  - (v) if the Company determines that it has ceased to be a Foreign Private Issuer, as such term is defined in Rule 902(e) of the U.S. Securities Act, and has notified the holders of the Super Voting Shares of such determination.

#### **Conversion Limitations.**

Before any Super Voting Shareholder can be entitled to convert Super Voting Shares into Subordinated Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation set forth shall apply to the conversion of Super Voting Shares. A “**Conversion Limitation**” means the Foreign Private Issuer Protection Limitation. The Company will use commercially reasonable efforts to maintain its status as a “foreign private issuer” (“**Foreign Private Issuer**”, as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended) and to avoid being categorized as a “**Domestic Issuer**” under applicable United States securities laws (being a U.S. issuer or a non-U.S. issuer that has a majority (50.1% or more) of its outstanding voting securities held by U.S. residents and either the majority of the executive officers or directors are U.S. citizens or residents, a majority of the assets of the issuer are located in the U.S., or the business of the issuer is administered principally in the U.S.) or would become a Domestic Issuer as a result of the issuance of Subordinated Voting Shares upon the conversion of a Super Voting Share.

As of the date of this Prospectus, there are 12,525,961 Subordinated Voting Shares and 625,287 Super Voting Shares issued and outstanding.

#### **Take-Over Bid Protection**

Under applicable Canadian law, an offer to purchase Super Voting Shares would not necessarily require that an offer be made to purchase Subordinated Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinated Voting Shares will be entitled to participate on an equal footing with holders of Super Voting Shares. Messrs. Jason T. Nguyen and Robert J. Brilon, as the owners of all the outstanding Super Voting Shares, will enter into a customary coattail agreement with the Company and Odyssey Trust Company as trustee (the “**Coattail Agreement**”). The Coattail Agreement will contain provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders

of Subordinated Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Super Voting Shares had been Subordinated Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by Messrs. Jason T. Nguyen and Robert J. Brilon of Super Voting Shares if concurrently an offer is made to purchase Subordinated Voting Shares that:

- (i) offers a price per Subordinated Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Super Voting Shares (on an as converted to Subordinated Voting Share basis);
- (ii) provides that the percentage of outstanding Subordinated Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Super Voting Shares to be sold (exclusive of Super Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- (iii) has no condition attached other than the right not to take up and pay for Subordinated Voting Shares tendered if no shares are purchased pursuant to the offer for Super Voting Shares; and
- (iv) is in all other material respects identical to the offer for Super Voting Shares.

In addition, the restrictions contained in the Coattail Agreement will not prevent the transfer or sale of Super Voting Shares by a Super Voting Shareholder to a Permitted Holder (as defined in the Coattail Agreement), provided such transfer or sale is not or would not have been subject to the requirements to make a take-over bid or constitute or would constitute an exempt take-over bid (as defined under applicable securities laws). The conversion of Super Voting Shares into Subordinated Voting Shares, whether or not such Subordinated Voting Shares are subsequently sold, would not constitute a disposition of Super Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Super Voting Shares (including a transfer to a pledgee as security) by a holder of Super Voting Shares party to the agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Super Voting Shares are not automatically converted into Subordinated Voting Shares in accordance with the Articles.

The Coattail Agreement will contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinated Voting Shares. The obligation of the trustee to take such action will be conditional on the Company or holders of the Subordinated Voting Shares providing such funds and indemnity as the trustee may require.

The Coattail Agreement will provide that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66 2/3% of the votes cast by holders of Subordinated Voting Shares excluding votes attached to Subordinated Voting Shares held by Messrs. Jason T. Nguyen and Robert J. Brilon and their Permitted Holders on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinated Voting Shares under applicable law.

## Capitalization

Other than as indicated below, there have been no material changes in the share capitalization or in the indebtedness of the Company since incorporation on December 11, 2015.

On December 17, 2018, the Company amended its articles and created the Super Voting Shares.

The following chart sets out the capitalization of the Company as at December 31, 2018 and the date of this Prospectus:

Description of the Security <sup>(6)</sup>	Amount Authorized <sup>(6)</sup>	Amount Outstanding as of December 31, 2018 <sup>(6)</sup>	Amount Outstanding as of the date of this Prospectus <sup>(6)</sup>
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Subordinated Voting Shares	Unlimited	630,500	12,525,961 <sup>(1)</sup>
Super Voting Shares	Unlimited	Nil	62,528,700 <sup>(2)</sup>
Warrants	N/A	N/A	3,000,000 <sup>(3)</sup>
Finder's Warrants	N/A	N/A	2,000,000 <sup>(4)</sup>
Options <sup>(5)</sup>	Up to 10% of the issued and outstanding Subordinated Voting Shares	N/A	909,000
Current Liabilities of the Company	N/A	\$2,647,781	\$1,787,040
Deferred Tax Liabilities of the Company	N/A	\$3,624,095	\$3,924,000
Notes Payable of the Company	N/A	\$161,734	\$128,272

Notes:

- (1) This includes: (a) the exercise or deemed exercise of all 1,000,000 Special Warrants; and assumes (b) that no Underlying Warrants have been exercised for Warrant Shares.
- (2) This assumes the conversion of 625,287 outstanding Super Voting Shares into 62,528,700 Subordinated Voting Shares at the Conversion Ratio.
- (3) 2,500,000 issued and outstanding Subordinated Voting Share purchase warrants are exercisable at CAD\$0.25 per share for a period of 12 months from the date of issuance. In addition, 500,000 Underlying Warrants are exercisable at CAD\$0.25 per share for a period of 12 months from the closing date of the Offering assuming (a) the exercise or deemed exercise of all 1,000,000 Special Warrants; and (b) that no Underlying Warrants have been exercised for Warrant Shares.
- (4) 2,000,000 issued and outstanding Subordinated Voting Share purchase warrants are exercisable at CAD\$1.00 per share for a period of 12 months from the closing of the New Gen Transaction pursuant to the terms and conditions of the Finder's Fee Agreement.
- (5) Issued to certain employees, consultants and management of the Company.
- (6) On an unaudited basis.

### OPTION TO PURCHASE SUBORDINATED VOTING SHARES

On January 4, 2019, the Board of Directors adopted a 10% rolling stock option plan (the “**Stock Option Plan**”) under which Options may be granted to the Company's directors, officers, employees and consultants. See “*Executive Compensation*.”

The following is a summary of the material terms of the Stock Option Plan:

- (i) the maximum number of Options which may be granted to any one holder under the Stock Option Plan within any 12-month period shall be 10% of the number of issued and outstanding Subordinated Voting Shares (unless the Company has obtained disinterested shareholder approval if required by applicable laws);
- (ii) if required by applicable laws, disinterested shareholder approval is required to the grant to related persons, within a 12-month period, of a number of Options which, when added to the number of outstanding Options granted to related persons within the previous 12 months, exceed 10% of the issued Subordinated Voting Shares;
- (iii) the expiry date of an Option shall be no later than the tenth anniversary of the grant date of such Option;

- (iv) the maximum number of Options which may be granted to any one consultant within any 12- month period must not exceed 5% of the number of issued and outstanding Subordinated Voting Shares;
- (v) the exercise price of any Option issued under the Stock Option Plan shall not be less than the Market Value (as defined in the Stock Option Plan) of the Subordinated Voting Shares as of the grant date; and
- (vi) the Board, or any committee to whom the Board delegates, may determine the vesting schedule for any Option.

The following table summarizes the allocation of the Options granted by the Company up to the date of this Prospectus:

<b>Optionee</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Executive Officers as a group <sup>(1)</sup>	150,000	CAD\$1.00	January 4, 2029
Directors as a group <sup>(2)</sup>	50,000	CAD\$1.00	January 4, 2029
Consultants as a group <sup>(3)</sup>	350,000	CAD\$1.00	January 4, 2029
Employees as a group	359,000	CAD\$1.00	January 4, 2029
<b>Total:</b>	<b>909,000</b>		

Notes:

- (1) This information applies to two executive officers of the Company, both of which are also directors of the Company.
- (2) This information applies to a director of the Company. Directors who are also executive officers are excluded from this figure.
- (3) Options were granted to consultants of the Company in connection with certain services provided to the Company, including, but not limited to, cannabis compliance advisory services.

## PRIOR SALES

Since incorporation, the Company issued the following Subordinated Voting Shares and securities convertible into Subordinated Voting Shares:

<b>Date of Issuance</b>	<b>Security Type</b>	<b>Number of Securities</b>	<b>Issue/Exercise Price (CAD\$)</b>
December 11, 2015	Subordinated Voting Shares	200,000 <sup>(1)</sup>	\$0.03
July 6, 2016	Subordinated Voting Shares	430,500 <sup>(2)</sup>	\$0.03
July 11, 2017	Subordinated Voting Shares	1,000,000 <sup>(3)</sup>	\$0.05
April 19, 2018	Subordinated Voting Shares	(1,000,000) <sup>(3)</sup>	\$0.05
December 10, 2018	Subordinated Voting Shares	1,000,000	\$0.05
December 17, 2018	Units	2,500,000 <sup>(4)</sup>	\$0.05

December 24, 2018	Special Warrants	1,000,000 <sup>(5)</sup>	\$0.25
December 31, 2018	Subordinated Voting Shares	7,395,461 <sup>(6)</sup>	\$1.00
December 31, 2018	Super Voting Shares	625,287 <sup>(7)</sup>	\$1.00
January 4, 2019	Options	909,000 <sup>(8)</sup>	\$1.00

Notes:

- (1) Issued pursuant to a non-brokered private placement of Subordinated Voting Shares.
- (2) Issued pursuant to a non-brokered private placement of Subordinated Voting Shares.
- (3) Issued pursuant to a non-brokered private placement of Subordinated Voting Shares. On April 19, 2018, the Company repurchased 1,000,000 Subordinated Voting Shares at a price of CAD\$0.05 per share for an aggregate amount of CAD\$50,000 and returned them to treasury for cancellation.
- (4) Issued pursuant to a non-brokered private placement of units, with each unit comprised of one Subordinated Voting Share and one Subordinated Voting Share purchase warrant to purchase one additional Subordinated Voting Share at an exercise price of CAD\$0.25 per share for a period of twelve months from the date of issuance. See “Escrowed Securities”.
- (5) The Company issued an aggregate of 1,000,000 Special Warrants in connection with the Offering. Pursuant to the terms of the Special Warrants an aggregate of 1,000,000 Special Warrants were exercised on the Deemed Exercise Date of April 25, 2019 and the Company issued 1,000,000 Subordinated Voting Shares and 500,000 Underlying Warrants to the holders of the Special Warrants. See “Plan of Distribution”.
- (6) Issued upon completion of the New Gen Transaction to prior shareholders of New Gen pursuant to the Share Exchange Agreement. Such shareholders of New Gen include those shareholders who subscribed for 4,799,161 New Gen Shares from New Gen on December 27, 2018. See “Financings”.
- (7) Issued upon completion of the New Gen Transaction to prior shareholders of New Gen pursuant to the Share Exchange Agreement. Subject to the Conversion Limitations, each Super Voting Share shall be convertible, at the option of the Super Voting Shareholder, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Subordinated Voting Shares as is determined by multiplying the number of Super Voting Shares by the Conversion Ratio applicable to each such share in effect on the applicable date the Super Voting Shares are surrendered for conversion. In addition, each Super Voting Share shall automatically be converted without further action by the Super Voting Shareholder or any other person into Subordinated Voting Shares at the applicable Conversion Ratio immediately upon the earliest of:
  - (i) the Subordinated Voting Shares issuable upon conversion of all the Super Voting Shares are registered for resale and may be sold by the Super Voting Shareholder pursuant to an effective registration statement and/or prospectus covering the Subordinated Voting Shares under the U.S. Securities Act;
  - (ii) the Company files a Securities Exchange Commission Form 20-F to register its Subordinated Voting Shares with the United States Securities and Exchange Commission;
  - (iii) the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934;
  - (iv) the Subordinated Voting Shares are listed or quoted (and are not suspended from trading) on a national securities exchange in the United States registered under Section 6 of the U.S. Securities Exchange Act of 1934, as amended, or quoted in a “U.S. automated inter-dealer quotation system”, as such term is used for purposes of Rule 144A(d)(3)(i); or
  - (v) if the Company determines that it has ceased to be a Foreign Private Issuer, as such term is defined in Rule 902(e) of the U.S. Securities Act, and has notified the holders of the Super Voting Shares of such determination. See “Description of the Securities”.
- (8) Issued to certain directors, management, and consultants. Vesting for the directors occurs 50% at grant then 25% at the year 1 anniversary and 25% at the year 2 anniversary. Vesting for the CEO occurs 50% at grant then 25% at the year 1 anniversary and 25% at the year 2 anniversary. Vesting for the President and CFO occurs 50% at grant then 25% at the year 1 anniversary and 25% at the year 2 anniversary. Vesting for the consultants and the employees occurs over 3 years starting at the 1 year anniversary.

**Prior Sales of New Gen**

<b>Date of Issuance</b>	<b>Security Type</b>	<b>Number of Securities</b>	<b>Issue/Exercise Price (CAD\$)</b>
December 27, 2018	Class A Common Shares of New Gen	4,799,161	\$1.00

Notes:

- (1) On December 27, 2018, New Gen completed a non-brokered private placement to approximately 60 individuals for gross proceeds of \$3,551,370, consisting of 4,799,161 Class A Common Shares in the capital of New Gen at a price of \$0.74 per Class A Common Share.

## DESCRIPTION OF SECURITIES BEING QUALIFIED FOR DISTRIBUTION

The Company is authorized to issue an unlimited number of Subordinated Voting Shares and Super Voting Shares, of which as at the date hereof, 12,525,961 Subordinated Voting Shares and 625,287 Super Voting Shares were issued and outstanding.

This Prospectus is being filed for the purpose of qualifying the distribution of 1,000,000 Unit Shares and up to 500,000 Underlying Warrants, issued upon the exercise or deemed exercise of the Special Warrants.

### Subordinated Voting Shares

The Unit Shares issued upon the exercise or deemed exercise of the Special Warrants have the same rights as the Subordinated Voting Shares.

See “Description of the Securities” for a description of the rights of holders of Subordinated Voting Shares.

### Underlying Warrants

Each Underlying Warrant will entitle the holder thereof to purchase one Underlying Share at a price of CAD\$0.25, subject to adjustment in certain circumstances, at any time prior to December 24, 2019.

In the event of certain alterations of the outstanding Subordinated Voting Shares, including any subdivision, consolidation or reclassification, an adjustment shall be made to the terms of the Underlying Warrants such that the holders shall, upon exercise of the Underlying Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Underlying Warrants prior to the occurrence of those events. No fractional Underlying Shares will be issued upon the exercise of the Underlying Warrants. The holding of Underlying Warrants does not make the holder thereof a shareholder of the Company or entitle the holder to any right or interest granted to shareholders.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Company as of the date hereof, the following are the only persons that beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company:

<u>Name</u>	<u>Number of Shares Owned, Controlled or Directed</u>	<u>% of Outstanding Shares</u>
<b>% of Outstanding Shares</b>		
EFG Consultants, LLC <sup>(1)</sup>	1,425,300 Subordinated Voting Shares	11.38% <sup>(2)</sup>
EFG Consultants, LLC <sup>(1)</sup>	605,747 Super Voting Shares	96.88% <sup>(3)</sup>

Notes:

(1) EFG Consultants, LLC is a company wholly owned and controlled by Jason T. Nguyen.

(2) Percentage is based on 12,525,961 Subordinated Voting Shares issued and outstanding as of the date hereof.

(3) Percentage is based on 625,287 Super Voting Shares issued and outstanding as of the date hereof.

## ESCROWED SECURITIES

As at the date of this Prospectus, the securities expected to be subject to escrow upon completion of the listing of the Subordinated Voting Shares on the CSE are shown in the following table:



<b>Designation of Class</b>	<b>Total number of securities held in escrow or that are subject to a contractual restriction on transfer</b>	<b>Percentage of Class<sup>(4)</sup></b>
Subordinated Voting Shares <sup>(1)</sup>	1,838,868	14.68%
Super Voting Shares <sup>(2)</sup>	62,528,700	100%
Options <sup>(3)</sup>	200,000	22%

Notes:

- (1) Subordinated Voting Shares held in Escrow and released over a 36-month period pursuant to an escrow agreement dated April 30, 2019 (the “**Escrow Agreement**”) between Directors, executive officers and certain shareholders of the Company. The release of the Subordinated Voting Shares under the Escrow Agreement are as follows: 10% on date of listing on the CSE and thereafter 15% released every six months over a 36-month period.
- (2) An aggregate of 625,287 Super Voting Shares are convertible into 62,528,700 Subordinated Voting Shares, including 605,747 Super Voting Shares (convertible into 60,574,700 Subordinated Voting Shares) held by EFG Consultants, LLC, a company wholly owned and controlled Jason T. Nguyen, and 19,540 Super Voting Shares (convertible into 1,954,000 Subordinated Voting Shares) held by Robert J. Brilon. The Escrow Agreement will provide for the escrow of an aggregate of 625,287 Super Voting Shares and upon conversion of Super Voting Shares into Subordinated Voting Shares from time to time the resulting Subordinated Voting Shares shall be subject to the same escrow terms that were originally imposed on the 625,287 Super Voting Shares.
- (3) Including 100,000 Options held by Jason T. Nguyen, 50,000 Options held by Robert J. Brilon, and 50,000 Options held by Jonathan Shelton.
- (4) Percentage is based on 12,525,961 Subordinated Voting Shares issued and outstanding, 625,287 Super Voting Shares issued and outstanding, and 909,000 Options issued and outstanding as of the date hereof.

Directors and executive officers and certain shareholders of the Company (the “**Escrow Shareholders**”) have agreed to enter into the Escrow Agreement with the Company pursuant to which the Escrow Shareholders have agreed to deposit the securities of the Company which they hold with Odyssey Trust Company until they are released in accordance with terms of the Escrow Agreement, CSE Policy, and applicable securities law as follows:

<b><u>Release Date</u></b>	<b><u>Amount of Securities to be Released</u></b>
On the date the Company’s securities are listed on a Canadian Exchange	10% of escrow securities
6 months after the listing date	15% of escrow securities
12 months after the listing date	15% of escrow securities
18 months after the listing date	15% of escrow securities
24 months after the listing date	15% of escrow securities
30 months after the listing date	15% of escrow securities
36 months after the listing date	15% of escrow securities

In addition, subscribers to the Company's December 17, 2018, non-brokered private placement for gross proceeds of CAD\$125,000, consisting of 2,500,000 units at a price of CAD\$0.05 per unit, with each unit consisting of one Subordinated Voting Share and one Subordinated Voting Share purchase warrant exercisable at a price of CAD\$0.25 per share for a period of twelve months, have agreed to deposit the units as well as any other securities received by the subscriber (a) as a dividend or other distribution on the units, (b) on the exercise of a right of purchase, conversion or exchange attaching to the units, including securities received on conversion of warrants, (c) on a subdivision, or compulsory or automatic conversion or exchange of the units, (d) or from a successor issuer in a business combination to be held in pool under the terms of a Subscription and Pooling Agreement. The pooled securities will be released on the day which is 6 months after the listing of the Company's Subordinated Voting Shares on a recognized stock exchange.

## TRADING PRICE AND VOLUME

The Subordinated Voting Shares were not previously traded on any market or exchange.

## DIRECTORS AND EXECUTIVE OFFICERS

The names, municipalities of residence, number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, and the offices held by each in the Company and the principal occupation of the directors and senior officers of the Company during the past five years are as follows:

Name and Municipality of Residence <sup>(1)</sup>	Position Held <sup>(2)</sup>	Principal Occupation for Last Five Years <sup>(3)</sup>	Number of Securities of the Company Held Directly or Indirectly as of the date of the Prospectus (% of class) <sup>(4)</sup>			
			Subordinated Voting Shares	(% of class)	(% of class on a partially diluted basis) <sup>(7)</sup>	(% of class on a fully diluted basis) <sup>(8)</sup>
Jason T. Nguyen <sup>(5)</sup> Arizona, United States	Chief Executive Officer, Chairman of the Board, and Director since December 2018	Founder and CEO of New Gen and the VAPEN brands (VAPEN Clear, VAPEN Extracts, VAPEN Kitchens and VAPEN CBD)	1,425,300	11.38%	1.90%	1.76%
			Subordinated Voting Shares <sup>(6)</sup>	96.88%	80.71% (60,574,700 Super Voting Shares)	74.82% (60,574,700 Super Voting Shares)
			605,747 Super Voting Shares <sup>(6)</sup>	11.00%	0.13%	0.12%
			100,000 Options			
Robert J. Brilon Arizona, United States	President, Chief Financial Officer, Corporate Secretary, and Director, since	President, CFO, and Corporate Secretary of New Gen and President and CFO of Iveda Solutions since December 2013, CPA	46,000 Subordinated Voting Shares	0.37%	0.06%	0.06%
			19,540 Super Voting Shares	3.12%	2.60% (1,954,000 Super Voting Shares)	2.41% (1,954,000 Super Voting Shares)

	December 2018		Shares	5.50%	0.07%	0.06%
			50,000 Options			
Dr. Jonathan Shelton <sup>(5)</sup> Arizona, United States	Director, since December 2018	Founder of Brain Fit, LLC, a private practice specializing in psychological assessment and evaluation	67,568 Subordinated Voting Shares	0.54%	0.09%	0.08%
			50,000 Options	5.50%	0.07%	0.06%
David Eaton <sup>(5)</sup> British Columbia, Canada	Director since February 2017	Since 2007, Chairman at Baron Global Financial Canada Ltd., a subsidiary of the Hong Kong Stock Exchange Member Firm VBG International Holdings Limited. Baron Global Financial Canada Ltd. provides merchant banking services in the areas of financing, transaction planning, corporate transactions, public listings and ongoing public company management.	300,000 Subordinated Voting Shares	2.40%	0.40%	0.37%

Notes:

- (1) Information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this Prospectus.
- (2) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting or upon resignation. The term of office of the officers expires at the discretion of the directors.
- (3) See "Management and Key Personnel" for additional information regarding the principal occupations of the Company's directors and officers.
- (4) Percentage is based on 12,525,961 Subordinated Voting Shares issued and outstanding, 625,287 Super Voting Shares issued and outstanding, and 909,000 Options issued and outstanding as of the date hereof.
- (5) The members of the Company's Audit Committee are David Eaton (chair), Dr. Jonathan Shelton, and Jason T. Nguyen.
- (6) These shares are held by EFG Consultants, LLC, a company wholly owned and controlled by Jason T. Nguyen.
- (7) Percentage is based on 75,054,661 Subordinated Voting Shares issued and outstanding, assuming the conversion of 625,287 Super Voting Shares into 62,528,700 Subordinated Voting Shares, in addition to the 12,525,961 Subordinated Voting Shares currently outstanding as at the date of this Prospectus (which includes the 1,000,000 Qualified Units which are qualified by this Prospectus).
- (8) Percentage is based on 80,963,661 Subordinated Voting Shares issued and outstanding on a fully diluted basis, assuming 12,525,961 Subordinated Voting Shares issued and outstanding assuming the exercise of the Qualified Units; the conversion

of 625,287 Super Voting Shares into 62,528,700 Subordinated Voting Shares; the exercise of 5,000,000 share purchase warrants into Subordinated Voting Shares; and the exercise of 909,000 Options issued and outstanding as of the date hereof into Subordinated Voting Shares.

The Company's directors and officers as a group, beneficially own, directly and indirectly, or exercise control or direction over, 1,838,868 Subordinated Voting Shares, representing 15.95% of the issued and outstanding Subordinated Voting Shares as of the date of this Prospectus. Assuming the conversion of all issued and outstanding Super Voting Shares into Subordinated Voting Shares, the Company's directors and officers as a group, would beneficially own, directly and indirectly, or exercise control or direction over, 64,367,568 Subordinated Voting Shares, representing 85.76% of the issued and outstanding Subordinated Voting Shares as of the date of such conversion, on a partially diluted basis, and 64,567,568 Subordinated Voting Shares, representing 79.75% on a fully diluted basis.

### **Biographies of Directors and Officers**

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

#### ***Jason T. Nguyen (Age 38) –Chief Executive Officer, Chairman and Director***

Mr. Nguyen is the founder and CEO of New Gen Inc. and the VAPEN brands (VAPEN Clear, VAPEN Extracts, VAPEN Kitchens, and VAPEN CBD). Recognizing the advancement of medical marijuana in Arizona and the need for a reliable medical marijuana facility and products, in early 2012, Mr. Nguyen formed a working relationship with Herbal Wellness Center. In 2013, Mr. Nguyen developed the VAPEN brand to provide various products for individuals to consume cannabis through other methods of delivery so that they can choose the best method for them, specific to their needs.

Mr. Nguyen is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 100% of his time to the business of the Company to effectively fulfill his duties as the Chief Executive Officer, Director, and Chairman of the Board of Directors of both the Company and New Gen.

#### ***Robert J. Brilon (Age 58) – President, Chief Financial Officer, and Director***

Mr. Brilon has over thirty years of executive management experience as the CEO and Chairman of a NASDAQ-listed company and in various CFO, COO, operations, and investor relations roles. Mr. Brilon is a certified CPA with audit and tax experience. Mr. Brilon was the President and CFO of Iveda Solutions, Inc., a company with shares quoted on the OTC market, from December 2013 until Mr. Brilon joined New Gen in July 2017 as the CFO (subsequently becoming President and CFO of New Gen in July 2018).

Mr. Brilon is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately 100% of his time to the business of the Company to effectively fulfill his duties as the President, Chief Financial Officer, Corporate Secretary, and Director of both the Company and New Gen.

#### ***Dr. Jonathan Shelton (Age 36) – Director***

Dr. Shelton is the founder of Brain Fit, LLC, a private practice specializing in psychological assessment and evaluation. He completed a bachelor's degree in psychology at Howard University in Washington, D.C., followed by a master's degree and a doctoral degree in clinical psychology from the Arizona School of Professional Psychology. He has been independently licensed in the State of Arizona for over five years and he currently completes Compensation and Pension Examinations for veterans, Consultative Examinations for the Arizona Department of Disability Determination, and psychological evaluations for the Arizona Department of Child Safety.

Dr. Shelton is not an employee or consultant of the Company and has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 20% of his time to the business of the Company to effectively fulfill his duties as an independent director of the Company.

***David Eaton (Age 56), - Director***

David Eaton has been involved the capital markets since 1981, starting as a floor trader at the Vancouver Stock Exchange. Throughout his career he has been active in all aspects of the corporate finance industry, consulting to both public and private companies in the areas of investor relations, arranging financings and corporate transactions. Since 2007 he has been Chairman at Baron Global Financial Canada Ltd., a subsidiary of the Hong Kong Stock Exchange Member Firm VBG International Holdings Limited. Baron Global Financial Canada Ltd. provides advisory services in the areas of financing, structuring, transaction planning, corporate transactions, public listings planning, ongoing financial reporting, and public company management.

Mr. Eaton is not an employee or consultant of the Company and has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 20% of his time to the business of the Company to effectively fulfill his duties as an independent director of the Company.

**Corporate Cease Trade Orders and Bankruptcies**

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company or a securityholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company, within 10 years of the date of this Prospectus, has been a director, officer or promoter of any person or company that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

**Penalties or Sanctions**

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision with respect to the Company.

**Personal Bankruptcies**

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of such persons has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

**Conflicts of Interest**

Members of management are, and may in future be, associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of the Company. Although the officers and directors are engaged in other business activities, the Company anticipates they

will devote an important amount of time to our affairs.

The Company's officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to the Company's. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, the Company does not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA or other applicable corporate legislation.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation objectives and processes and to discuss compensation decisions relating to its named executive officers ("**Named Executive Officers**" or "**NEOs**") listed in the Summary Compensation Table set out below. In accordance with applicable securities legislation, the Company currently has two Named Executive Officers; being Jason T. Nguyen, CEO, Chairman of the Board, and a director, and Robert J. Brilon, President, CFO, Corporate Secretary, and a director.

The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company. In determining executive compensation, the Board considers the Company's financial circumstances at the time decisions are made regarding executive compensation, and also the anticipated financial situation of the Company in the mid and long-term.

### ***Compensation Objectives and Principles***

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining qualified executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary, bonus compensation and equity participation through its stock option plan. The Company does not provide any retirement benefits for its directors or officers.

### ***Elements of Compensation***

#### ***Base Salary***

In the Board's view, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates is a first step to attracting and retaining qualified and effective executives. In determining compensation, the Board will consider industry standards and its financial situation but does not currently have any formal objectives or criteria.

#### ***Bonus Incentive Compensation***

The Board will consider executive bonus compensation dependent upon the Company meeting its strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses.

#### *Equity Participation*

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Stock Option Plan (as described below). Options may be granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted are determined by the Board.

#### *Compensation Risks*

The Board is keenly aware of the fact that compensation practices can have unintended risk consequences. The Board will continually review the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risk. At the present time the Board is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk. The Board takes a conservative approach to executive compensation rewarding individuals for the success of the Company once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

#### *Hedging Policy*

The Company has no policy on whether an NEO or director is permitted to purchase certain financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds which are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

#### *Compensation Process*

The Company does not have a compensation committee or a formal compensation policy. The Company relies solely on the Board of Directors to determine the compensation of its executive officers. In determining compensation, the Board of Directors will consider industry standards and the Company's financial situation but does not currently have any formal objectives or criteria. The performance of each executive officer is informally monitored by the Board of Directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer. The Company is expected to rely solely on the Board of Directors to determine the compensation of the executive officers.

In establishing compensation for executive officers, the Board as a whole seeks to accomplish the following goals:

- To recruit and subsequently retain highly qualified executive officers by competitive offering overall compensation;
- To motivate executives to achieve important corporate and personal performance objectives and reward them when such objectives are met; and
- To align the interests of executive officers with the long-term interests of shareholders through participation in the Company's Stock Option Plan.

When considering the appropriate executive compensation to be paid to our officers, the Board have regard to a number of factors including: (i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Company's shareholders; (iv) rewarding performance, both on an individual basis and with respect to operations generally; and (v) available financial resources.

#### *Option-Based Awards*

Long-term incentives in the form of Options are intended to align the interests of our directors and executive officers with those of the Company's shareholders and to provide a long-term incentive to reward those individuals for their contribution to the generation of shareholder value, while reducing the burden of cash compensation that would otherwise be payable by the Company.

The Stock Option Plan is administered by the Board. In determining the number of incentive Options to be granted to the Named Executive Officers, the Board has regard to several considerations including previous grants of Options and the overall number of outstanding Options relative to the number of outstanding Subordinated Voting Shares, as well as the degree of effort, time, responsibility, ability, experience and level of commitment of the executive officer. For a detailed discussion of the Stock Option Plan, please see "Options to Purchase Securities".

### **Compensation of Directors**

Other than as disclosed, the only arrangements we have, standard or otherwise, pursuant to which we compensated directors for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as a consultant or expert during the most recently completed financial year or subsequently, are by (i) the issuance of incentive stock options; and (ii) reimbursement for out-of-pocket expenses incurred on behalf of the Company.

### **Summary Compensation Table**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's board of directors and corporate officers, including its Chief Executive Officer, President, and Chief Financial Officer.

The following table sets forth information with respect to the compensation of each Named Executive Officer of New Gen for the fiscal years ended December 31, 2018, 2017, and 2016:



**Table of Compensation Excluding Compensation Securities**

Name and principal position  (a)	Year  (b)	Salary (\$)  (c)	Share - based awards (\$)  (d)	Option-based awards (\$) <sup>(3)</sup>  (e)	Non-equity incentive plan compensation (\$)  (f)		Pension value (\$)  (g)	All other compensation (\$)  (h)	Total compensation (\$)  (i)
					Annual incentive plans  (f1)	Long-term incentive plans  (f2)			
Jason T. Nguyen, CEO, director, and Chairman of the Board <sup>(1)</sup>	2018	\$390,000	Nil	Nil	Nil		Nil	Nil	\$390,000
	2017	\$60,000	Nil	Nil	Nil		Nil	Nil	\$60,000
	2016	Nil	Nil	Nil	Nil		Nil	Nil	Nil
Robert J. Brilon, President, CFO, Corporate Secretary, and director <sup>(2)</sup>	2018	\$237,019	Nil	Nil	Nil		Nil	Nil	\$237,019
	2017	\$98,077	Nil	Nil	Nil		Nil	Nil	\$98,077
	2016	N/A	N/A	N/A	N/A		N/A	N/A	N/A

Notes:

- (1) Mr. Nguyen received \$60,000 in relation to his position as CEO of New Gen and nil in relation to his position as a director of New Gen.
- (2) Mr. Brilon was appointed CFO of New Gen on July 1, 2017, and received \$98,077 and nil in relation to his position as a director of New Gen in fiscal 2017. Mr. Brilon subsequently was appointed President and CFO of New Gen on July 1, 2018.
- (3) Includes the value of Options granted to such individual. All other convertible securities of the Company issued to the individuals above were assigned no value by the Company's auditors.

The Company was not a reporting issuer at any time during its most recently completed financial year. Accordingly, the following table sets forth information with respect to the anticipated compensation of each Named Executive Officer and directors of the Company once the Company becomes a reporting issuer:

**Table of Compensation Excluding Compensation Securities**

Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus <sup>(2)</sup> (\$)	Committee or meeting fees (\$)	Value of perquisites <sup>(1)</sup> (\$)	Long-term incentive plans (\$)	Value of all other compensation (\$)	Total compensation (\$)
Jason T.	201	\$410,000	Nil	Nil	\$18,000	Nil	\$17,8	\$445,86

Nguyen, CEO, director, and Chairman of the Board	9						68	8
Robert J. Brilon, President, CFO, Corporate Secretary, and director	2019	\$265,000	\$15,000	Nil	\$12,600	Nil	\$8,934	\$301,534
Dr. Jonathan Shelton Director	2019	Nil	Nil	Nil	Nil	Nil	\$8,934	\$8,934

- (1) Pursuant to the Nguyen Employment Agreement (as hereafter defined), Mr. Nguyen is entitled to a monthly car allowance of \$1,500 or a leased or owned vehicle during his employment. Pursuant to the Brilon Employment Agreement (as hereafter defined), Mr. Brilon is entitled to a monthly car allowance of \$1,050 or a leased or owned vehicle during his employment.
- (2) Pursuant to the Nguyen Employment Agreement (as hereafter defined), Mr. Nguyen will be awarded a bonus of \$250,000 upon the assignment to New Gen of a patent pending that may be awarded to Mr. Nguyen during his employment and a 5% royalty on proceeds related to licensing the patent for the duration of the patent. Pursuant to the Brilon Employment Agreement (as hereafter defined), Mr. Brilon will be awarded a bonus of \$15,000 upon the completion of a merger and public listing for New Gen.

The anticipated compensation set out above is based on current conditions in the cannabis industry and on the associated approximate allocation of time for each NEO and director, and is subject to adjustments based on changing market conditions and corresponding changes to required time commitments.

### Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each Named Executive Officer and directors by the Company during the period from the Company's incorporation on December 11, 2015 to the date of this Prospectus for services provided or to be provided, directly or indirectly, to the Company:

#### Compensation Securities

Compensation Securities							
Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, & percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (CAD\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Jason T. Nguyen CEO, director,	Options	100,000 (11.00%)	January 4, 2019	\$1.00	N/A	N/A	January 4, 2029

and Chairman of the Board							
Robert J. Brilon President, CFO, Corporate Secretary, and director	Options	50,000 (5.50%)	January 4, 2019	\$1.00	N/A	N/A	January 4, 2029
Dr. Jonathan Shelton Director	Options	50,000 (5.50%)	January 4, 2019	\$1.00	N/A	N/A	January 4, 2029

(1) Percentage is based on 909,000 Options outstanding as of the date hereof.

Since incorporation on December 11, 2015 to the date of this Prospectus, there has been no exercise of compensation securities of the Company issued to Named Executive Officer and directors of the Company.

### Employment, Consulting and Management Agreements

The Company has entered into the following employment agreements with officers of the Company (each, an “Executive”):

- (i) Employment Agreement dated July 1, 2018 between Jason T. Nguyen and New Gen (the “**Nguyen Employment Agreement**”);
- (ii) Employment Agreement dated July 1, 2018 between Robert J. Brilon and New Gen (the “**Brilon Employment Agreement**”);

(collectively, the Nguyen Employment Agreement and the Brilon Employment Agreement are referred to as the “**Employment Agreements**”).

The Nguyen Employment Agreement is for an initial period of three years. At the expiration of the agreement, the agreement will be renewed for regular terms of one year each on a fulltime basis, provided neither party submits a notice of termination in accordance with the agreement. The employment will be at-will employment and may be terminated at any time by either party with or without cause or notice, and without any liability or obligation except as provided in the agreement. If New Gen terminates the agreement at any time during the agreement, for any reason except for those acts by the employee to be considered “cause” (willful misconduct in the scope of Mr. Nguyen’s employment which substantially interferes with the contracts or operations of New Gen or Mr. Nguyen’s conviction of a felony which substantially interferes with the contracts or operations of New Gen), New Gen agrees to provide Mr. Nguyen with 24 months of base compensation and 24 months of employee benefits value. If Mr. Nguyen terminates the agreement at any time during the agreement, for “good reasons” (the occurrence of i) New Gen’s material breach of a material term of the agreement including a failure to pay any portion of Mr. Nguyen’s compensation or benefits; ii) a material diminution in Mr. Nguyen’s position, duties or responsibilities; iii) a material reduction by New Gen of Mr. Nguyen’s aggregate annualized compensation and benefits except for across-the-board reductions affecting similarly situated executive officers of New Gen; or iv) any required relocation of Mr. Nguyen’s residence by New Gen or the relocation of New Gen’s offices at which Mr. Nguyen is principally employed beyond a radius of 30 miles) or “change of control” (a change in the composition of the board of directors, as a result of which fewer than one-half of the incumbent directors remain directors or the acquisition or aggregation of securities by any person pursuant to which the person becomes the beneficial owner, directly or indirectly, of securities of New Gen representing 50% or more of the combined voting power of the outstanding securities of New Gen) reasons, New Gen agrees to provide Mr. Nguyen with 24 months of base compensation and 24 months of employee benefits value. For the services of CEO rendered by Mr. Nguyen, New Gen will pay to Mr. Nguyen base compensation of USD\$390,000 for full time employment in year one; USD\$430,000 for full time employment in year two; and USD\$470,000 for full time employment in year three. In addition to the base compensation, an additional bonus of up to 100% of the base wage will be payable in any commission or sales bonus structure approved by the board from time to time. Mr. Nguyen will be awarded a bonus of USD\$250,000 upon the assignment to New Gen of a patent pending that may be awarded to Mr. Nguyen during his employment and a 5% royalty on the

proceeds related to licensing of the patent for the duration of the patent. Under the Nguyen Employment Agreement, Mr. Nguyen was awarded 100,000 Options. See “Stock Options and other Compensation Securities” above. See also “Description of the Securities – Capitalization”.

The Brilon Employment Agreement is for an initial period of three years. At the expiration date of the agreement, the agreement will be renewed for regular terms of one year each, under fulltime employment, provided neither party submits a notice of termination in accordance with the agreement. Pursuant to the Brilon Employment Agreement, the employment of Mr. Brilon will be at-will employment and may be terminated at any time by either party with or without cause or notice, and without any liability or obligation except as expressly provided in the agreement. If New Gen terminates the employment of Mr. Brilon at any time during the term of the Brilon Employment Agreement, for any reason except “for cause”, New Gen will provide 24 months of base compensation and 24 months of employee benefits value. If Mr. Brilon terminates the employment at any time during the agreement for “good reason” or “change of control”, New Gen agrees to provide the employee with 24 months of base compensation and 24 months of employee benefits value. For the services of President, CFO, and Corporate Secretary rendered by Mr. Brilon, New Gen will pay to Mr. Brilon base compensation of USD\$250,000 for full time employment in year one; USD\$280,000 for full time employment in year two; and USD\$310,000 for full time employment in year three. In addition to Mr. Brilon’s base compensation, an additional bonus of up to 100% of the base wage will be payable upon meeting certain performance goals to be set mutually and participation in any commission or sales bonus structure approved by the board. Mr. Brilon will be awarded a bonus of \$15,000 upon the completion of the New Gen Transaction and listing of the Company’s Subordinated Voting Shares on the CSE. Under the Brilon Employment Agreement, Mr. Brilon was awarded 50,000 Options. See “Stock Options and other Compensation Securities” above. See also “Description of the Securities – Capitalization”.

### **Pension Plan Benefits**

The Company currently does not provide pension plan benefits for Named Executive Officers, directors or employees.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

Other than as described below, none of our directors, executive officers, employees, former directors, former executive officers or former employees or any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this Prospectus or at any time since the beginning of the most recently completed financial year been indebted to us or any of our subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by us or any of our subsidiaries.

<b>AGGREGATE INDEBTEDNESS (\$)</b>		
<b>Purpose</b>	<b>To New Gen or its Subsidiaries</b>	<b>To Another Entity</b>
Share purchases	Nil	Nil
Other	\$2,181,785 <sup>(1)</sup>	Nil

- (1) The amount due from Jason T. Nguyen, the CEO and sole director of New Gen as at December 31, 2018 represents a personal loan advanced by New Gen to Mr. Nguyen and is non-interest bearing. \$537,151 is due on December 31, 2021, \$316,251 is due on December 31, 2022, and \$1,328,383 is due on December 31, 2023.

## **PLAN OF DISTRIBUTION**

This Prospectus is being filed in the Qualifying Jurisdiction to qualify the distribution of 1,000,000 Qualified Units. Each Qualified Unit consists of one Unit Share and one-half of one Underlying Warrant. Each Underlying Warrant will entitle the holder thereof to acquire one Underlying Share at an exercise price of CAD\$0.25 until December 24, 2019. 1,000,000 Unit Shares and 500,000 Underlying Warrants were issued upon the exercise of 1,000,000 Special Warrants on April 25, 2019.

On December 24, 2018, the Company completed the Offering pursuant to prospectus exemptions under applicable securities legislation. In connection with the Offering, the Company issued the Special Warrants in the Qualifying Jurisdiction on a private placement basis at a price of CAD\$0.25 per Special Warrant.

The Special Warrants were deemed to be exercised on the earlier of (i) the third business day after the date on which the Company obtains a receipt from the British Columbia Securities Commission for the final prospectus qualifying the distribution of the Unit Shares to be issued upon exercise or deemed exercise of the Special Warrants and (ii) April 25, 2019, at which time each Special Warrant were automatically exercised into one Unit Share and one-half of one Underlying Warrant, subject to adjustment in certain circumstances, without payment of any additional consideration and without further action on the part of the holder.

In the event of certain alterations of the outstanding Subordinated Voting Shares, including any subdivision, consolidation or reclassification, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon the exercise or deemed exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional Unit Shares or Underlying Warrants were issued upon the exercise or deemed exercise of the Special Warrants. The holding of Special Warrants did not make the holder thereof a shareholder of the Company or entitle the holder to any right or interest granted to shareholders.

The Company has applied to list the securities distributed under this Prospectus on the Canadian Securities Exchange. Listing will be subject to the Company fulfilling all the listing requirements of the Canadian Securities Exchange.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and 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 U.S. or to, or for the account or benefit of, U.S. Persons. None of the Unit Shares or Underlying Warrants have been or will be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and may not be offered or sold within the U.S. 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 Special Warrants may not be exercised by or on behalf of a U.S. Person or a person in the U.S. unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, both the Unit Shares and Underlying Warrants will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The Audit Committee is comprised of Jason T. Nguyen, David Eaton, and Dr. Jonathan Shelton, all of whom are financially literate as such term is defined in NI 52-110. David Eaton and Jonathan Shelton are considered independent and Jason T. Nguyen is not considered independent by virtue of his position as Chief Executive Officer of the Company. A description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member may be found above under the heading “Executive Officers and Directors”.

The Audit Committee will be responsible for reviewing the Company’s financial reporting procedures, internal controls and the performance of the financial management and external auditors of the Company. The Audit Committee will also review the annual audited financial statements and make recommendations to the Board. The Company is relying on the exemption set out in section 6.1 of NI 52-110. A copy of the Audit Committee’s proposed charter is set out below.

## **AUDIT COMMITTEE CHARTER**

### **1. Mandate**

The audit committee will assist the board of directors (the “**Board**”) in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting

process, the system of internal control and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each audit committee member must obtain an understanding of the principal responsibilities of audit committee membership as well as the Company's business, operations and risks.

## **2. Composition**

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

### *2.1 Independence*

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

### *2.2 Expertise of Committee Members*

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the audit committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

## **3. Meetings**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

## **4. Roles and Responsibilities**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

### *4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

### *4.2 Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### *4.3 Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (a) review and approve the interim financial statements prior to their release to the public; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

##### *Release of Financial Information*

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

#### *4.4 Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

##### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the

authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

#### *De-Minimis Non-Audit Services*

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

#### *Pre-Approval Policies and Procedures*

- (a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

#### *4.5 Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

#### *4.6 Reporting Responsibilities*

The audit committee shall regularly update the Board about audit committee activities and make appropriate recommendations.

### **5. Resources and Authority of the Audit Committee**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;



- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

## **6. Guidance – Roles & Responsibilities**

The following guidance is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

### *6.1 Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

### *6.2 Financial Reporting*

#### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

#### *Annual Financial Statements*

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the committee.

#### *Interim Financial Statements*

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and

- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
- (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
  - (v) there are any significant or unusual events or transactions;
  - (vi) the Company's financial and operating controls are functioning effectively;
  - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
  - (viii) the interim financial statements contain adequate and appropriate disclosures.

### 6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

### 6.4 *Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.

## **Composition of the Audit Committee**

Pursuant to applicable laws, the Company is required to have an audit committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company or an affiliate of the Company.

The following are the members of the audit committee:

<b>Member</b>	<b>Independence</b>	<b>Financially Literacy</b>
David Eaton	Independent <sup>(1)</sup>	Financially Literate
Jason T. Nguyen	Not Independent <sup>(1)(2)</sup>	Financially Literate
Dr. Jonathan Shelton	Independent <sup>(1)</sup>	Financially Literate

Notes:

- (1) Within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 51-110").

- (2) Jason T. Nguyen is an executive officer of the Company and therefore, he is considered under NI 52-110 to be non-independent.

### **Relevant Education and Experience**

In addition to each member's general business experience, the education and experience of each Audit Committee member is set out in "Directors and Officers" above.

### **Mandate and Responsibilities of the Audit Committee**

The Audit Committee's mandate and responsibilities include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.

The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Company's external auditors at least once a year.

### **Audit Committee Oversight**

At no time since the date of incorporation on December 11, 2015 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since the date of incorporation on December 11, 2015, has the Company relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company will rely on the exemptions provided for "venture issuers" in section 6.1 of National Instrument 52-110 – *Audit Committees* with respect to Part 3 – Composition of the Audit Committee and Part 5 – Reporting Obligations.

### **Pre-Approval Policies and Procedures**

The Audit Committee is required to approve the engagement of the Company's external auditors in respect of non-audit services.

### **External Auditor Service Fees (By Category)**

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Buckley Dodds Parker LLP to ensure auditor independence. The following table sets out the aggregate fees billed by Buckley Dodds Parker LLP for December 31, 2018, December 31, 2017 and December 31, 2016 for each category of fees described:

#### **Financial Period for the Company Ended**

<u>Audit Fees<sup>(1)</sup></u>	<u>Audit Related Fees<sup>(2)</sup></u>	<u>Tax Fees<sup>(3)</sup></u>	<u>All Other Fees<sup>(4)</sup></u>
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<b><u>December 31, 2017 and December 31, 2016</u></b>	\$64,000	-	-	-
<b><u>December 31, 2018</u></b>	\$32,481			

Notes:

- (1) "Audit Fees" includes fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

## CORPORATE GOVERNANCE

On June 30, 2005, the Canadian Securities Administrators ("CSA") enacted National Policy 58-201 – *Corporate Governance Guidelines* (the "**Governance Policy**") and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). The Governance Policy provides guidelines on corporate governance practices while NI 58-101 requires Canadian reporting Companies to disclose their corporate governance practices in accordance with the disclosure items set out in Form 58-101F1.

The Company has reviewed its own corporate governance practices in light of the guidelines contained in the Governance Policy. The Company's practices comply generally with the guidelines, however, the current directors of the Company consider that some of the guidelines are not suitable for the Company at its current state of development and therefore the Company's governance practices do not reflect these particular guidelines. Given that the Company is a relatively small Company in terms of both activities and market capitalization, the directors of the Company believe that the current governance structure is cost-effective and appropriate for the needs of the Shareholders.

Set out below is a description of the Company's corporate governance practices as required to be disclosed by NI 58-101.

### Board of Directors

At the date of filing of this Prospectus, the Board consisted of four directors, two of whom (David Eaton and Dr. Jonathan Shelton) are independent. The other two directors are Jason T. Nguyen, CEO of the Company, and Robert J. Brilon, President, CFO, and Corporate Secretary of the Company.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

### Board Mandate

The Board facilitates independent supervision of management through meetings of the Board and through frequent informal discussions among independent members of the Board and management. In addition, the Board has access to the Company's external auditors, legal counsel and to any of the Company's officers.

The Board has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the relevant company, provide leadership and direction to management, evaluate management, set policies appropriate for the business of the Company and approve corporate strategies and goals.

The day-to-day management of the business and affairs of the Company is delegated by the Board to the senior officers of the Company. The Board will give direction and guidance through the President to management and will keep

management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

The Board recommends nominees to the shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee.

The Board exercises its independent supervision over management by its policies that (a) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Company are subject to prior approval of the Board. To facilitate open and candid discussion among its independent directors, such directors are encouraged to communicate with each other directly to discuss ongoing issues pertaining to the Company.

### **Position Description**

Because the Board is a small, working board, it has not developed written position descriptions and does not have a process for assessing the performance of the directors or the chair of the Board committees.

The CEO, together with the President, Chief Financial Officer, and Corporate Secretary of the Company, are responsible for the general management of the day-to-day affairs of the Company within the guidelines established by the Board, consistent with decisions requiring prior approval of the Board.

### **Other Reporting Issuer Experience**

The following table sets out the directors, officers and promoters of the Company that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

<b>Name of Director, Officer or Promoter<sup>1</sup></b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>	<b>Position</b>	<b>Term</b>
Robert J. Brilon	Iveda Solutions, Inc.	OTC	President and CF	December 2013 to present
David Eaton	Providence Gold Mines Inc.	TSXV	Director	Oct 2018 to present
	Jayden Resources Inc.	TSXV	President and CEO	June 2016 to present

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, orientation of new members of the Board is conducted by informal meetings with members of the Board, briefings by management, and the provision of copies of or access to the Company's documents.

The Company has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors and consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

### **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by governing corporate legislation and the common law, and the restrictions placed by the BCBCA on an individual director's participation in decisions of the board in which the director has an interest, have helped to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of

a company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of a company also serves as a director or officer of another company engaged in similar business activities to the first company, that director must comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

### **Nomination of Directors**

The Company does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the industry are consulted for possible candidates.

### **Compensation**

The Board conducts reviews with regard to directors' and officers' compensation at least once a year. For information regarding the steps taken to determine compensation for the directors and the executive officers, see "Executive Compensation" herein.

### **Other Board Committees**

The Board has no other committees other than the Audit Committee.

### **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. On an ongoing annual basis, the Board assesses the performance of the Board as a whole, each of the individual directors and each committee of the Board in order to satisfy itself that each is functioning effectively.

## **RISK FACTORS**

Investing in the Company involves significant risks. An investor should carefully consider the risks described below. The risks and uncertainties described below are those that the Company currently believes to be material, but they are not the only ones that the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that the Company currently consider not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company could decline and an investor could lose part or all of such investor's investment.

### **Risks Related to the Company**

#### ***The Company is substantially dependent on HWC, its sole customer***

The Company is subject to credit risk (the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations) on its receivables. As at December 31, 2018 and as at the date of this Prospectus, the Company was dependent on HWC, its sole customer, from its consulting business segment. Approximately 99% of the Company's accounts receivable is from this customer. The Company has taken an allowance for all receivables earned prior to December 31, 2015, as the Company is of the opinion that its customer did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at December 31, 2018 and as at the date of this Prospectus, it is not exposed to significant credit risk from this customer, as the majority of the outstanding accounts receivables was received by the Company subsequent to the year ended December 31, 2017.

#### ***The Company may write off trade receivables from HWC in the future***

The Company may write off trade receivables from HWC in the future and have going concern risks if that occurs.

***Risk related to undisclosed related party transactions***

The audit report for the Company's consolidated financial statements for the years ended December 31, 2018 and December 31, 2017 lists related party transactions, including those outside the Company's normal course of business, as a key audit matter. In addition, Note 10 of the consolidated financial statements describes and summarizes the related parties and related party transactions of the Company that impact the financial statements, including remuneration to key management personnel, remuneration to close family members of the Company's Chief Executive Officer, and amounts due from related parties. Where related party transactions are undertaken in the course of the normal business of an entity, they may not pose a higher risk of material misstatement of the financial statements than similar transactions with unrelated parties. However, in other circumstances (for instance, related party transactions outside the Company's normal course of business), the nature of related party relationships and transactions may carry a higher risk of material misstatement of the financial statements in respect of risks from inappropriate accounting; risks from non-identification or non-disclosure; risks of fraud; and risks about the ability of the Company to continue in business as a going concern if the Company's interest is subordinated to that of related parties. To mitigate the risk associated with undisclosed related party transactions, the Company has adopted a Related Party Transactions Policy which provides the board of directors with the guidelines under which certain transactions must be reviewed and approved or ratified by the board and the disclosure requirements for related party transactions.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management. As at December 31, 2018, the Company had accounts receivables of \$13,206,458 to settle its bank indebtedness, accounts payable and short-term notes payable of \$1,998,402. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

***Uncertainty about the Company's ability to continue as a going concern.***

The Company is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the cannabis industry and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

***The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.***

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

***There are factors which may prevent the Company from the realization of growth targets.***

The Company's growth strategy includes completing the Phase IV buildout of its cultivation facility. There is a risk that this will not be achieved on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

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

***The Company may be reliant on a single stream of income through its 100% ownership of New Gen and its subsidiaries, and any changes could materially affect the Company's plans.***

The Company, through New Gen, owns 100% of the shares and the business of its subsidiaries. New Gen's subsidiaries are holding companies, holding 100% interests in subsidiary entities engaging in business ancillary to cannabis and holding intellectual property. These businesses have material contracts with an Arizona-state cannabis License Holder. The License Holder holds "marijuana producer" licenses and "marijuana processor" licenses, both issued by the AHS. New Gen's activities and resources have been focused on Arizona. The Company expects to continue to primarily be in a business relationship with the License Holders for the foreseeable future. Adverse changes or developments affecting the License Holders, or marijuana businesses generally, could have a material and adverse effect on the Company's business, financial condition and prospects.

#### ***Nature of the business model***

The primary businesses of the Company (through one or more operating companies owned by the Company) are intended to be: (i) the leasing of integrated commercial real estate to marijuana producers and processors in the State of Arizona; and (ii) the providing of other products and services to "marijuana producers" and "marijuana processors". Because the production and sale of medical and recreational cannabis remain illegal under federal law, it is possible that the Company's future tenants and customers may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency ("DEA") and Internal Revenue Service ("IRS"), has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down a tenant's operations will have an adverse effect on the Company's business, operating results and financial condition.

#### ***Probable lack of business diversification.***

Because the Company will be focused on developing its business ancillary to the cannabis industry, and potentially directly in the cannabis industry, the prospects for the Company's success will be dependent upon the future performance and market acceptance of the Company's intended facilities, products, processes, and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Company does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Company's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

#### ***The Company may face significant competition from other facilities.***

Many other businesses in Arizona State engage in similar activities to the Company, leasing commercial space to



“marijuana producers” and “marijuana processors”, and providing additional products and services to similar customers. The Company cannot assure you that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

***The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.***

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company’s results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company’s operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company’s efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Subordinated Voting Shares may significantly decrease.

***The Company may be subject to additional regulatory burden resulting from its public listing on the CSE.***

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE. The Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Company’s financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company’s internal controls over financial reporting. However, the Company cannot assure holders of Company’s shares that these and other measures that the Company might take will be sufficient to allow us to satisfy the Company’s obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management’s attention to these matters will have on the Company’s business.

***If the Company loses its foreign private issuer status it may be subject to increased regulatory burden as a result of increased filings and costs***

Being a foreign private issuer provides certain exemptions and accommodations from the stricter reporting and compliance requirements and rules applicable to U.S. domestic companies. These advantages include foreign private issuer exemptions for issuances of securities outside the United States which can equal faster market access; foreign exemptions from SEC Exchange Act reporting under 12g3-2(b); no Sarbanes-Oxley requirements for non-SEC reporting issuers; and foreign private issuer exemptions for merger and acquisition transactions. The Company, if it loses its foreign private issuer status, faces the risks of SEC registration or qualification under Regulation A+; no exemptions from SEC Exchange Act registration; all unregistered securities being subject to a one-year regulation S distribution compliance period; not being able to rely on exemptions and accommodations for foreign private issuers; and being subject to Sarbanes-Oxley requirements for SEC reporting issuers, including the SOX 404 requirement for internal controls and audit.

***There is no assurance that the Company will continue to turn a profit or generate revenues.***

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company’s results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such

dividends.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions there from, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

***The Company may not be able to access public and private capital.***

The Company has historically, and continues to have, access to equity financing from prospectus exempt (private placement) markets in Canada. Specifically: (i) From incorporation to December 31, 2018, the Company has issued 630,500 Subordinated Voting Shares in initial financing rounds for gross proceeds of \$13,997; and (ii) in connection with the New Gen Transaction, the Company issued 7,395,461 Subordinated Voting Shares and 625,287 Super Voting Shares upon closing of the New Gen Transaction. Going forward, the Company expects New Gen and its subsidiaries to be self-sustaining and, accordingly, no funds will be repatriated from the United States to the Company in Canada, and any future debt or equity financings will be funding the Company's operations.

The Company expects to use primarily equity financings to fund the operations of the Company and any expansion or business development plans of New Gen and New Gen's subsidiaries. Any future debt financings will be at the subsidiary level, not the parent company level, and would be expected to be repaid out of operating cash flow. Management of the Company does not expect to pay cash dividends in the foreseeable future as it expects that shareholders of the Company will realize profit from capital gains and not cash dividends. Management of the Company will ensure there is adequate working capital to satisfy listing requirements and to maintain its status as a reporting issuer. However, there is no guarantee that the Company will be able to achieve these objectives.

If such equity and/or debt financing was not available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately. Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis companies. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "Risk Factors" hereto.

***The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.***

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Subordinated Voting Shares.

***The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.***

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register certain of its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;
- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

***It may not be possible to enforce judgements obtained in Canada against foreign persons.***

Jason T. Nguyen, CEO and a director; Robert J. Brilon, President, CFO, Corporate Secretary, and a director; and Dr. Jonathan Shelton, a director, each of whom is signing the certificate of the Company attached to this Prospectus under Part 5 of National Instrument 41-101 General Prospectus Requirements, reside outside of Canada and each has appointed Buttonwood Law Corporation as his agent for service of process in Canada. These individuals and New Gen have appointed the following agent for service of process:

<b>Name of Person or Company</b>	<b>Name and Address of Agent</b>
Jason T. Nguyen	Buttonwood Law Corporation of Suite 1510, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2
Robert J. Brilon	Buttonwood Law Corporation of Suite 1510, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2
Dr. Jonathan Shelton	Buttonwood Law Corporation of Suite 1510, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2

It may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

***The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.***

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

***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 may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited

to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

***The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.***

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

***If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.***

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's Chief Executive Officer, Chief Financial Officer, and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

***There is no assurance that the Company will obtain and retain any relevant licenses.***

If obtained, any state licenses in the U.S. are expected to be subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

***Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.***

The Company may grow by acquiring businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

***The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.***

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

***The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.***

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Subordinated Voting Shares. The Company's articles permit the issuance of an unlimited number of Subordinated Voting Shares, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Subordinated Voting Shares will be issued by the Company on the exercise of options under the Stock Option Plan and upon the exercise of outstanding Warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

***The Company currently has insurance coverage; however, because the Company's business is ancillary to the cannabis industry, there additional difficulties and complexities associated with such insurance coverage.***

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate. For example, New Gen Admin maintains worker's compensation and employer's liability coverage for its legal and statutory obligations for damages due to bodily injuries occurring to New Gen Admin's employees, agents or servants as a result of employment; (ii) general and professional liability covering New Gen Admin, its agents, employees, and servants for bodily injury, personal injury, or property damage claims arising out of the premises, products or activities of New Gen Admin. Minimum limits of liability for the coverage is \$1,000,000

per occurrence; (iii) unemployment insurance as required by law for all employees; and (iv) automobile insurance if New Gen Admin or the staff requires the use of an automobile to perform work.

However, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. For example, the following exclusions may apply to cannabis-related activities:

- (a) The Washington Changes to Defense Cost Exclusion: Certain cannabis general liability policies may give the right to the insurance carrier to seek reimbursement for claims that are not covered.
- (b) The Breach of Contract Exclusion: Certain cannabis general liability policies may not cover breach of contract claims arising from written or oral agreements between the insured and other parties.
- (c) The total mold, mildew, and other fungi exclusion: Cannabis companies who are being sued by landlords or other parties might not realize no coverage exists for grow sites covered with mold or mildew.
- (d) The Protective Safeguard Exclusion: The reason certain cannabis insurance policies add this exclusion is to notify their clients of conditions that must be followed for covering the actual cannabis products. One cannabis carrier requires the safe to be bolted to the ground if it weighs between 800 lbs. to 2,000 lbs. This same carrier requires a 1-hour fire rating for your safe.
- (e) The Limitation to Designated Premises or Project Exclusion: Insurance coverage may be specific to the locations listed on the insurance policy. If the insured requires coverage for an offsite event, this exclusion would not provide the necessary protection.

There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

***The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.***

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.***

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

***The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.***

Although certain officers and board members of the Company are expected to be bound by anticircumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors (and consequently, some of the officers and directors of New Gen and its subsidiaries) may be engaged in a range of business activities.

In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

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

***In certain circumstances, the Company's reputation could be damaged.***

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

***No guarantee on the use of available funds by the Company.***

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of Subordinated Voting Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favorable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

### ***Currency fluctuations.***

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

### **Risk Factors Specifically Related to the United States Regulatory System**

***The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.***

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

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

***Some of the Company's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law.***

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the U.S. where local and state laws permit such activities or provide limited defenses to criminal prosecutions.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, marijuana is largely regulated at the state level. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act ("CSA"). An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

While New Gen has obtained legal advice, both verbally and in the form of a written legal opinion, regarding compliance with the applicable state regulatory framework in the state of Arizona, the company has not obtained any legal advice with respect to the potential exposure and implications arising from U.S. federal law.



Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares.

In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

In addition, since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Company intends to lease real estate, provide material supply agreement, and provide intellectual property to a licensed “marijuana producer” and “marijuana processor” in Arizona State. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another’s criminal activities. The Federal aiding and abetting statute provides that anyone who “commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.” As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

#### ***State of Arizona v. Rodney Jones***

According to a January 16, 2019 article written by Mikel Weisser in the Arizona Cannabis Monthly, the Arizona Supreme Court has agreed to hear the “Rodney Jones Concentrates Case”, which will determine whether cannabis concentrate products are considered protected under AMMA, the Arizona Medical Marijuana Act. Oral arguments began in March 2019, as the state awaits a final verdict for Rodney Jones and the fate of cannabis concentrate products and the future of Arizona’s medical marijuana industry.

The Rodney Jones case began with a 2013 arrest of Rodney Jones, a medical marijuana patient in the Prescott area. In addition to flower, Jones also had hashish when arrested. Despite having a medical card, Yavapai County Attorney Sheila Polk, the state’s leading anti-cannabis prosecutor, charged Jones with a class 4 narcotics possession felony. Found guilty on the other charges, Jones went to prison, but appealed the guilty verdict for the hashish, citing AMMA protections. In June 2018, nearly five years after his arrest, an appeals court upheld the narcotics conviction in a split decision. As a result, all medical cannabis products, other than dried flower, are currently deemed class four narcotics: wax, vape, ointments, even edibles, approximately 40% of the state’s market.

With the help of the Arizona Dispensary Association, an appeal was filed in October by appellate lawyer, Robert Mandel. Prior to the election in November, state Attorney General Mark Brnovich took up the cause, then withdrew his office support for the case, citing concerns for the health of pediatric cannabis patients who need access to concentrates. This left Polk in charge of the prosecution. Polk began the year by asking the higher court to reject the case, allowing the appeals court ruling against concentrates to stand. Many worried the court would honor her request since it rejects the vast majority of appeals it receives. Instead, the court rejected Ms. Polk’s motion and set a timetable for the next steps in the case.

Oral arguments were heard in Arizona Supreme Court on March 19, 2019. The justices are expected to issue their ruling in approximately three months.

Meanwhile, a bill that would overturn some Arizona county attorneys’ interpretation of medical marijuana law to exclude concentrates, which lead sheriff’s deputies to arrest and jail cancer patients, made its first move February 20, 2019, out of a House committee for legal review.

HB 2149 would expand the definitions of marijuana and cannabis to be the same as defined in the Arizona Medical

Marijuana Act (AMMA) to include extracts, concentrates, and any other derivative of the plant. Extracts include edibles, tinctures, vape pens, oils, waxes, and shatters.

Another significant bill that moved on for consideration by the full House, HB 1494, regulates testing of medical marijuana to ensure products are lab tested.

Another referendum to legalize recreational marijuana will begin with petition circulation in 2020. If the law is not passed in the Legislature or concentrates are not upheld in court, then the issue will be addressed by the proposed referendum, according to a spokesperson for the Arizona Dispensaries Association.

The Company is currently monitoring the outcome of this case which to date has not impacted the operations of the Company or HWC.

***The enforcement of relevant laws is a significant risk.***

Twenty-nine of the states in the U.S. have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding cannabis, cannabis-related operations and investments in cannabis businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the Company's operations in the U.S. along with any future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's operations and potential future investments in the U.S.

For the reasons set forth above, the Company's existing interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have cannabis-related operations and/or investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators ("CSA") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Subordinated Voting Shares to make and settle trades. In particular, the Subordinated Voting Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Subordinated Voting Shares through the facilities of a stock exchange.

The Company's activities and operations in the U.S. are, and will continue to be, subject to evolving regulation by governmental authorities. The Company will be directly engaged in the medical and recreational cannabis industry in Arizona, where local state law permits such activities.

The Company's operations are exclusively focused in Arizona, a state that has legalized the recreational use of cannabis. Currently, the states of Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have also legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's current and future operations along with any future investments in such businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its potential investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published a Staff Notice 51-352 setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue future investment and opportunities in the U.S.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under U.S. federal law. Although the Company's activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions,

convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is still uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors:

- The Company operates in the cannabis sector in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the *Internal Revenue Code*, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;
- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Company will be able to maintain its existing accounts or obtain new accounts in the future; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

***The Company's investments and operations in the United States may be subject to heightened scrutiny.***

For the reasons set forth above, the Company's existing investments and operations in the United States, and any future investments or operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Subordinated Voting Shares to make and settle trades. In particular, the Subordinated Voting Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Subordinated Voting Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the U.S. or elsewhere. A negative shift in the public's perception of cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it decide to do so. The Company's inability to expand its operations into other jurisdictions may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations*, investors are cautioned that in the U.S., cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical and recreational cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, may be in violation of federal law in the U.S.

As previously stated, the United States Congress has passed the Leahy Amendment each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2018 *Consolidated Appropriations Act* was passed by Congress on March 23, 2018, and included the re-authorization of the Leahy Amendment. The Leahy Amendment was set to expire with the 2018 Fiscal Year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the "**Continuing Resolution**"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018.

On May 17, 2018 the U.S. House of Representatives Appropriations Committee approved the inclusion of the Rohrabacher-Blumenauer Amendment (previously, the Rohrabacher Farr Amendment), which adds a provision to prohibit the U.S. Department of Justice from using funding to prevent states from implementing medical marijuana laws through the end of fiscal year 2019, known as the "Joyce Amendment".

In December 2018, President Trump signed the 2018 Farm Bill, which contained certain provisions legalizing the production, extraction, interstate commerce, etc., of industrial hemp. Industrial hemp is defined as hemp which contains less than .3% tetrahydrocannabinol (THC), the cannabinoid most commonly associated with intoxication which is contained within cannabis and hemp plants, on a dry weight basis. This bill legalizes U.S. hemp for production and sale across state lines for research and commercial uses for all hemp that meets all the following criteria: the hemp contains less than 0.3% THC; the producer of the hemp is licensed by the state where it was grown; and the state where it was grown has a hemp program approved by the USDA. Each state is allowed to submit a hemp regulatory program for USDA approval. The USDA will be working on reviewing submitted programs and constructing a hemp regulatory program for all states with no submitted program. No programs are currently approved by the USDA. Once a program is approved, producers may apply for licenses under the program and sell hemp legally for all purposes after the license is obtained. Hemp is a genetically related plant to cannabis and has long been prohibited based at least in part on its similarity to cannabis, which tends to contain significantly higher amounts of THC than hemp. Hemp, unlike cannabis plants which tend to be richer in THC, is the most common source of cannabidiol (CBD). Research suggests that CBD is a non-psychoactive cannabinoid which may have several therapeutic effects. CBD is increasingly becoming popular as a wellness product, and its usage as an adjunct to THC is increasing as well. Management believes hemp legalization is positive for a number of reasons: (1) CBD source material will likely become cheaper, leading to lower cost basis in certain CBD-infused products sold by the Company; and (2) hemp legalization suggests liberalizing legislator and executive attitudes towards cannabis.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds

to fully prosecute the Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations, and provide no protection against businesses operating in compliance with a state’s recreational cannabis laws.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

***The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.***

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public’s perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company’s expansion strategy may have a material adverse effect on the Company’s business, financial condition and results of operations.

***U.S. Border Officials could deny entry into the U.S. to management, employees and/or investors in companies with cannabis operations in the U.S.***

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. On October 9, 2018, U.S. Customs and Border Protection provided an update to such statement. It stated that Canada’s legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. The Company’s business and investments are located in the United States and while the majority of the Company’s directors, officers and employees are currently resident and located in the United States, if any of the Company’s directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Company’s ability to operate in the United States. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the United States could make it more difficult for the Company to engage qualified directors, officers and employees in the future.

***Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.***

The Company's business activities rely on newly established and/or developing laws and regulations in the State of Arizona. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, Arizona State or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

***The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.***

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration.

In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

***U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.***

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

***The Company's contracts may not be legally enforceable in the United States.***

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

***Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.***

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other

financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-transmitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

In the event that any of the Company’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

### **Risks Related to the Company’s Securities**

***The Company cannot assure you that a market will continue to develop or exist for the Subordinated Voting Shares or what the market price of the Subordinated Voting Shares will be.***

The Company cannot assure that a market will continue to develop or be sustained once the Company’s shares are listed on the CSE. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell the Subordinated Voting Shares at an attractive price or at all. The Company cannot predict the prices at which the Subordinated Voting Shares will trade.

***It may be difficult, if not impossible, for U.S. holders of the Subordinated Voting Shares to resell them over the CSE.***

It has recently come to management’s attention that all major securities clearing firms in the U.S. have ceased participating in transactions related securities of Canadian public companies involved in the medical marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire the Subordinated Voting Shares as “restricted securities” (including any Subordinated Voting Shares pursuant to the exercise of Warrants) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any Subordinated Voting Shares of the Company that they may acquire in open market transactions.

***The market price for the Company’s shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control.***

The market price for the Company’s shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control, including the following:

- actual or anticipated fluctuations in the Company’s quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company’s executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Subordinated Voting Shares;
- sales or perceived sales of additional Subordinated Voting Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital



- commitments by or involving us or the Company's competitors;
- operating and share price performance of other companies that investors deem comparable to us; fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinated Voting Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of the Subordinated Voting Shares might be materially adversely affected.

***The Company is subject to uncertainty regarding legal and regulatory status and changes.***

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and the US is currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

***The Company does not anticipate paying cash dividends.***

The Company's current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Company's shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Company's board in the context of its earnings, financial condition and other relevant factors. Until the time that the Company pays dividends, which the Company might never do, Company shareholders will not be able to receive a return on their Subordinated Voting Shares unless they sell them.

***Future sales of Subordinated Voting Shares by existing shareholders could reduce the market price of the Subordinated Voting Shares.***

Sales of a substantial number of Subordinated Voting Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Subordinated Voting Shares intend to sell Subordinated Voting Shares, could reduce the market price of the Subordinated Voting Shares. Additional Subordinated Voting Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Subordinated Voting Shares. Holders of Options or Warrants or Agent's Options will have an immediate income inclusion for tax purposes when they exercise their Options, Warrants or Agent's Options (that is,

tax is not deferred until they sell the underlying Subordinated Voting Shares). As a result, these holders may need to sell Subordinated Voting Shares purchased on the exercise of Options, Warrants or Agent's Options in the same year that they exercise their options. This might result in a greater number of Subordinated Voting Shares being sold in the public market, and fewer long-term holds of Subordinated Voting Shares by the Company's management and employees.

## **PROMOTERS**

Jason T. Nguyen may be considered a promoter of the Company within the meaning of applicable securities laws. Mr. Nguyen currently owns 1,425,300 Subordinated Voting Shares and 100,000 Options to purchase 100,000 Subordinated Voting Shares. In addition, Mr. Nguyen currently owns 605,747 Super Voting Shares which are convertible into 60,574,700 Subordinated Voting Shares of the Company. Mr. Nguyen receives compensation from the Company for his services as the CEO of New Gen pursuant to the terms of an employment agreement with New Gen dated as of July 1, 2018. See "Execution Compensation".

Other than as disclosed in this section or elsewhere in this Prospectus, no person who was a promoter of the Company within the last two years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or

has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

## **LEGAL PROCEEDINGS**

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since Company to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

See "*Proprietary Protection*", "*Principal Shareholders*", "*Directors and Executive Officers*", "*Executive Compensation*", "*Options to Purchase Securities*", "*Indebtedness of Directors and Executive Officers*", "*Promoters*", and "*Material Contracts*".

## **AUDITORS**

The auditor for the Company is Buckley Dodds LLP Chartered Professional Accountants of Suite 1140, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6. Buckley Dodds LLP Chartered Professional Accountants has confirmed that they are independent of the Company within the meaning of the “CPABC Code of Professional Conduct” of the Chartered Professional Accountants of British Columbia.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Company’s securities is Odyssey Trust Company, at its principal offices located at Vancouver, British Columbia.

## **MATERIAL CONTRACTS**

Other than contracts entered into in the ordinary course of business, the following are the only material contracts entered into by the Company or its Subsidiaries within two years prior to the date of this Prospectus which are currently in effect and considered to be currently material:

Equipment Lease and Professional Services Agreement between Hydroponics Solutions LLC (Ste. 200, 777 E. Missouri Avenue, Phoenix, Arizona, 85014), the Lessor, and Herbal Wellness Center, Inc. (4126 W. Indian School Road, Phoenix, Arizona, 85019), the Lessee

Commercial Sublease for 4215 N. 40th Avenue, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Commercial Sublease made effective as of September 1, 2018, by and between New Gen Real Estate Services, LLC, the Tenant, and Herbal Wellness Center, the Subtenant, and pursuant to a lease agreement dated March 19, 2015, between the Tenant and SCF Properties, LLC, a California limited liability company

First Lease Amendment dated April 13, 2016 between SCF Properties LLC and New Gen Real Estate Services LLC, for the leased premises located at 4215 N. 40<sup>th</sup> Street, Phoenix, Arizona, 85019, containing approximately 28,000 square feet for a term commencing on May 1, 2018 and terminating on April 30, 2024

Commercial Lease for 4126 W. Indian School Road, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Lease Agreement dated as of September 1, 2018 between New Gen Real Estate Services LLC, the Landlord, and Herbal Wellness Center, Inc., the Tenant

Management Services Agreement Between New Gen Agricultural Services LLC, the Manager, and Herbal Wellness Center, Inc., the Company, entered into July 1, 2018

Management Services Agreement Between Step 1 Consulting LLC, the Manager, and Herbal Wellness Center, Inc., the Company, entered into July 1, 2018

Staffing Services Agreement Between Herbal Wellness Center, the Client, and New Gen Admin Services LLC, the Agency, made and entered into on July 1, 2018

Employment Agreement Between New Gen Admin Services LLC and Jason T. Nguyen dated as of July 1, 2018

Employment Agreement Between New Gen Admin Services LLC and Robert J. Brilon dated as of July 1, 2018

Subscription and Pooling Agreement for Units, dated effective December 2018, between the Company and various subscribers

Share Exchange Agreement, dated effective as of December 21, 2018, and as amended by the Addendum No. 1 dated effective as of December 27, 2018, between the Company, New Gen, and the shareholders of New Gen

Finder’s Fee Agreement, made effective as of December 21, 2018, between the Company and Cameron and Associates with respect to the issuance of Finder’s Warrants in connection with the New Gen Transaction

Coattail Agreement, made effective as of April 8, 2019, between the Company, EFG Consultants, LLC, Robert J. Brilon, and Odyssey Trust Company

Copies of the above material contracts can be inspected at the Company's head office during regular business hours for a period of 30 days after a final receipt is issued for this Prospectus and are also available electronically at [www.sedar.com](http://www.sedar.com).

## LEGAL MATTERS

Certain Canadian legal matters in connection with this Prospectus will be passed upon by Buttonwood Law Corporation, on behalf of the Company. As at the date hereof, the partners and associates of Buttonwood Law Corporation, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Subordinated Voting Shares of the Company.

## INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- Buttonwood Law Corporation is the Company's counsel with respect to Canadian legal matters herein;
- Rose Law Group PC is the Company's counsel with respect to Arizona legal matters and has prepared an opinion that the corporate structure and business operations of New Gen and its operating subsidiaries, their contractual arrangements and agreements with HWC, and the operations of HWC, are in compliance with the Arizona Medical Marijuana Act, and the applicable law, rules and regulations of Arizona, including the Arizona Department of Health Services. See "Compliance with Applicable State Law in the United States" for further details.

Rose Law Group PC is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada.

Rose Law Group PC has appointed the following agent for service of process:

<b>Name of Person or Company</b>	<b>Name and Address of Agent</b>
Rose Law Group PC	Buttonwood Law Corporation of Suite 1510, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process;

- Buckley Dodds LLP, Chartered Professional Accountants, is the external auditor of the Company and reported on the Company's audited financial statements for the years ended December 31, 2017 and December 31, 2016, attached as Schedule "A";
- Buckley Dodds LLP, Chartered Professional Accountants, is the external auditor of New Gen and reported on New Gen's audited financial statements for the years ended December 31, 2017 and December 31, 2016, attached as Schedule "C"; and
- Buckley Dodds LLP, Chartered Professional Accountants also reported on the consolidated audited financial statements of the Company and New Gen for the years ended December 31, 2018 and December 31, 2017, attached as Schedule "E".

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of

any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

### **PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RECISSION**

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. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission 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 common share purchase 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 common share purchase warrants is 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 security, 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 the right of action for damages or consult with a legal adviser.

### **CONTRACTUAL RIGHT OF RESCISSION**

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 Qualified 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

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.

### **OTHER MATERIAL FACTS**

To the knowledge of management, there are no other material facts relating to the Company that are not otherwise disclosed in this Prospectus or are necessary for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Company.

**SCHEDULE "A"**

**COMPANY FINANCIAL STATEMENTS**

**SCHEDULE “B”**

**COMPANY MD&A**

**SCHEDULE “C”**

**NEW GEN FINANCIAL STATEMENTS**



**SCHEDULE “D”**

**NEW GEN MD&A**

**SCHEDULE “E”**

**CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND NEW GEN**

**SCHEDULE “F”**

**MD&A FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

## CERTIFICATE OF VAPEN MJ VENTURES CORPORATION

Dated: April 30, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Vapen MJ Ventures Corporation as required by the securities legislation of British Columbia.

(signed) "Jason T. Nguyen"

Jason T. Nguyen

Chief Executive Officer

(signed) "Robert J. Brilon"

Robert J. Brilon

President, Chief Financial Officer, and Corporate Secretary

On Behalf of the Board of Directors

(signed) "David Eaton"

David Eaton

Director

(signed) "Jonathan Shelton"

Jonathan Shelton

Director

**CERTIFICATE OF NEW GEN HOLDINGS, INC.**

Dated: April 30, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by New Gen Holdings, Inc. as required by the securities legislation of British Columbia.

*(signed) "Jason T. Nguyen"*

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Jason T. Nguyen  
Director

## **CERTIFICATE OF PROMOTER**

Dated: April 30, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Vapen MJ Ventures Corporation as required by the securities legislation of British Columbia.

*(signed) "Jason T. Nguyen"*

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Jason T. Nguyen

## APPENDIX B

### Additional Disclosure Information

## 14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

### Issued Capital

	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully- diluted)</b>	<b>%of Issued (non- diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	12,525,961	80,963,661	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	1,838,868	64,367,568	15%	80%
Total Public Float (A-B)	10,687,093	16,596,093	85%	20%

### Freely-Tradeable Float

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	8,802,083	71,330,783	70%	88%
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Total Tradeable Float (A-C)	3,723,878	9,632,878	30%	12%
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Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	43	43,000
2,000 – 2,999 securities	6	13,000
3,000 – 3,999 securities	77	231,500
4,000 – 4,999 securities	17	68,000
5,000 or more securities	118	10,331,593
	261	10,687,093



## Public Securityholders (Beneficial)

**Instruction:** Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

### **Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	<u>0</u>	<u>0</u>
100 – 499 securities	<u>0</u>	<u>0</u>
500 – 999 securities	<u>0</u>	<u>0</u>
1,000 – 1,999 securities	<u>8</u>	<u>8,000</u>
2,000 – 2,999 securities	<u>3</u>	<u>7,000</u>
3,000 – 3,999 securities	<u>43</u>	<u>129,500</u>
4,000 – 4,999 securities	<u>14</u>	<u>56,000</u>
5,000 or more securities	<u>0</u>	<u>0</u>
Unable to confirm	<u><u>0</u></u>	<u><u>0</u></u>

Non-Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	<u>0</u>	<u>0</u>
100 – 499 securities	<u>0</u>	<u>0</u>
500 – 999 securities	<u>0</u>	<u>0</u>
1,000 – 1,999 securities	<u>0</u>	<u>0</u>
2,000 – 2,999 securities	<u>0</u>	<u>0</u>
3,000 – 3,999 securities	<u>0</u>	<u>0</u>
4,000 – 4,999 securities	<u>0</u>	<u>0</u>
5,000 or more securities	<u>4</u>	<u>1,838,868</u>
	<u>4</u>	<u>1,838,868</u>

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Options to Purchase one subordinated voting share @ CAD \$1.00	909,000	909,000
Warrants to purchase one subordinated voting share at CAD\$0.25	500,000	500,000
Warrants to purchase one subordinated voting share at CAD \$0.25	2,500,000	2,500,000
Warrants to purchase one subordinated voting share at CAD \$1.00	2,000,000	2,000,000
Super Voting Shares at no additional consideration exchange 1 to 100 subordinated voting shares	625,287	62,528,700

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2. NONE

## APPENDIX C

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

### CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Phoenix, Arizona and Vancouver, British Columbia

this 30<sup>th</sup> day of April, 2019.

"Jason T. Nguyen"

Chief Executive Officer

"Robert J. Brilon"

Chief Financial Officer

"Jason T. Nguyen"

Promoter (if applicable)

"David Eaton"

Director

"Jonathan Shelton"

Director

[print or type names beneath signatures]