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

*The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the "**United States**"), and may not be offered or sold within the United States, or to, or for the account or benefit of a U.S. Person (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act) or a person in the United States, except as permitted by the Agency Agreement (as defined herein) and in transactions exempt from registration under the U.S. Securities Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. persons.*

Information has been incorporated by reference in this amended and restated preliminary short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Flower One Holdings Inc. 20 Richmond Street East, Suite 600, Toronto, Ontario, M5C 2R9, Canada, telephone (416) 848-9835, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue **March 22, 2019**

FLOWER ONE HOLDINGS INC.

Minimum and Maximum Offering of $50,000,000
9.5% Unsecured Convertible Debenture Units

PRICE: $1,000 per Convertible Debenture Unit

This short form prospectus (the "**Prospectus**") qualifies the distribution and offering (the "**Offering**") on a best-efforts basis of a minimum and maximum 50,000 unsecured convertible debenture units (the "**Debenture Units**") of Flower One Holdings Inc. ("**Flower One**" or the "**Company**") at a price of $1,000 per Debenture Unit (the "**Offering Price**") for total gross proceeds of $50,000,000. Each Debenture Unit will consist of one 9.5% unsecured convertible debenture of the Company in the principal amount of $1,000 (each a "**Convertible Debenture**") and 192 common share purchase warrants of the Company (each a "**Warrant**").

The Debenture Units will be offered pursuant to the terms of an agency agreement (the "**Agency Agreement**") entered into on March 22, 2019 among the Company, Mackie Research Capital Corporation ("**MRCC**") and Canaccord Genuity Corp. as co-lead agents and joint bookrunners (together with MRCC, the "**Lead Agents**"), and Cormark Securities Inc., Eight Capital, Industrial Alliance Securities Inc. and PI Financial Corp. (together with the Lead Agents, the "**Agents**").

The Convertible Debentures will bear interest at a rate of 9.5% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year, commencing June 30, 2019, and will mature on the date which is three years from the closing of the Offering (the "**Maturity Date**"). Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. The June 30, 2019 interest payment will represent accrued interest for the period from the Closing Date (as defined below) to June 30, 2019.

The principal amount of each Convertible Debenture (the "**Principal Amount**") shall be convertible, for no additional consideration, into common shares of the Company ("**Conversion Shares**") at the option of the holder at any time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the

Company for redemption of the Convertible Debentures upon a Change of Control (as defined below) at a conversion price equal to $2.60 (the "**Conversion Price**"). If the holder elects to convert the Convertible Debentures after a period that is six months and one day following Closing, then the holder will also receive the Effective Interest (as defined below), payable in (a) common shares in the capital of the Company (the "**Common Shares**") at a price equal to the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the "**CSE**") for the consecutive 20 trading days of the Common Shares on the CSE preceding the date of such election; (b) cash; or (c) a combination of both, at the Company's option. The effective interest ("**Effective Interest**") is an amount equal to the interest that the holder would have received if the holder had held the Convertible Debentures until the Maturity Date.

The Company will be entitled to force the conversion (the "**Mandatory Conversion**") of the Principal Amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the CSE be greater than $3.51 for the consecutive 20 trading days of the Common Shares on the CSE preceding such notice, subject to the Mandatory Conversion being permitted under the policies of the CSE for any trading of the Common Shares at that time.

The Convertible Debentures will be governed by a debenture indenture (the "**Debenture Indenture**") to be entered into on the Closing Date between the Company and Odyssey Trust Company, as debenture trustee. See "*Description of Securities Being Distributed*".

Each Warrant will entitle the holder thereof to purchase one Common Share (a "**Warrant Share**") at an exercise price equal to **$**2.60 (the "**Exercise Price**") for a period of thirty-six months following the Closing Date.

The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on the Closing Date between the Company and Odyssey Trust Company, as warrant agent. See "*Description of Securities Being Distributed*".

The Common Shares are listed on the CSE under the symbol "FONE" and on the OTCQB Venture Market ("**OTCQB**") under the symbol "FLOOF". On March 4, 2019, the last trading day prior to the announcement of the Offering and the filing of this Prospectus, the closing price per Common Share was $2.60 on the CSE and US$1.95 on the OTCQB.

The Company has given notice to the CSE to list the Convertible Debentures, the Warrants, the Conversion Shares, the Warrant Shares and the Common Shares issuable upon exercise of the Broker Warrants (as defined below) on the CSE. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE.

There is currently no market through which the Convertible Debentures or the Warrants may be sold and purchasers may not be able to resell the Convertible Debentures or the Warrants purchased under this Prospectus. This may affect the pricing of the Convertible Debentures and the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Debenture Units, the Convertible Debentures and the Warrants and the extent of issuer regulation. See "*Risk Factors*".

	Price to Public ($)[(1)]	**Agency Fee[(2)] ($)**	**Net Proceeds to the Company[(2)(3)] ($)**
Per Debenture Unit	$1,000	$60	$940
Total Offering[(4)(5)]	**$50,000,000**	**$3,000,000**	**$47,000,000**

Notes:

(1) The Offering Price was determined by arm's length negotiation between the Company and Agents with reference to the prevailing market price of the Common Shares.

(2) Pursuant to the Agency Agreement, the Company will pay to the Agents an aggregate cash fee equal to 6.0% of gross proceeds raised in respect of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option (as defined herein)) (collectively, the "**Agency Fee**"). As additional consideration for the services rendered in connection with the Offering, the Company has agreed to issue to the Agents such number of non-transferable broker warrants (the "**Broker Warrants**") as is equal to 3.5% of: (i) the number of Common Shares issuable upon conversion or exercise, as applicable, of the Convertible Debentures (based on the Conversion Price); plus (ii) the number of Common Shares issuable upon exercise of the Warrants sold under the Offering (including any gross proceeds raised on the exercise of the Over-Allotment Option). Each Broker Warrant will entitle the holder thereof to acquire one Common Share (a "**Broker Share**") at an exercise price of $2.60 per Broker Share for a period of 36 months following the Closing Date, subject to adjustment in certain customary events. This Prospectus qualifies the distribution of the Broker Warrants. See "*Plan of Distribution*".

(3) After deducting the Agency Fee, but before deducting the expenses of the Offering, estimated to be $350,000 (excluding taxes and disbursements), which, together with the Agency Fee, will be paid out of the gross proceeds of the Offering.

(4) There will be no Closing unless subscriptions for the full Offering of 50,000 Debenture Units are received. If subscriptions for the full Offering have not been received within 20 days following the date a receipt is issued for the final Prospectus or for an amendment to this Prospectus, this Offering will not continue and subscription proceeds will be returned to subscribers, without interest, set-off or deduction. Subscription proceeds will be received by the Agents, or by any other securities dealer authorized by the Agents, and will be held by the Agents, or by any other securities dealer authorized by the Agents, in trust until subscriptions for the full Offering are received and other closing conditions of this Offering have been satisfied.

(5) The Company has agreed to an over-allotment option, exercisable, in whole or in part, in the sole discretion of the Agents at any time, and from time to time, on or before 5:00 p.m. (EST) on the 30th day (the "**Over-Allotment Deadline**") following the Closing Date, of an additional 15% of the aggregate number of Convertible Debentures and Warrants comprising the Debenture Units, to cover the Agents' over-allocation position, if any (the "**Over-Allotment Option**"), exercisable by the Agents in respect of: (i) additional Debenture Units (each an "**Over-Allotment Unit**" and, collectively, the "**Over-Allotment Units**") at the Offering Price, each such additional Debenture Unit comprised of one Convertible Debenture (each an "**Additional Debenture**" and, collectively, the "**Additional Debentures**") and 192 Warrants (each an "**Additional Warrant**" and, collectively, the "**Additional Warrants**"); (ii) Additional Debentures at a price of $824.51 per Additional Debenture; (iii) Additional Warrants at a price of $0.9140 per Additional Warrant; or (iv) any combination of Over-Allotment Units, Additional Debentures and Additional Warrants (the "**Additional Securities**"), so long as the aggregate number of Additional Debentures and Additional Warrants which may be issued under the Over-Allotment Option (including those comprising Over-Allotment Units) does not exceed 7,500 Additional Debentures and/or 1,440,000 Additional Warrants. The Additional Securities will otherwise be issued on the same terms and conditions as the Offering. The Over-Allotment Option is exercisable by Agents, giving notice to the Company prior to the Over-Allotment Deadline, which notice shall specify the number of Additional Securities to be purchased. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Agency Fee" and "Net Proceeds to the Company" will be $57,500,000, $3,450,000 and $54,050,000 (after deducting the Agency Fee, but before deducting the expenses of the Offering, estimated to be $350,000 (excluding taxes and disbursements)), respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Securities issuable upon exercise of the Over-Allotment Option. A purchaser who acquires the Additional Securities forming part of the Agents' over-allocation position acquires those Additional Securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

The following table sets out information relating to the Over-Allotment Option and the Broker Warrants:

Agents' Position	Maximum Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Up to 7,500 Additional Debentures and/or Additional Warrants	For a period of 30 days from and including the Closing Date	$824.51 per Additional Debenture and $$0.9140 per Additional Warrant
Broker Warrants	Up to 151,361 Broker Warrants	3 years from the Closing Date	$2.60 per Broker Share

Unless the context otherwise requires, when used herein, all references to "Offering" include the exercise of the Over-Allotment Option and all references to "Debenture Units" include the Additional Securities issuable upon exercise of the Over-Allotment Option.

An investment in the Debenture Units involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. Prospective purchasers should carefully review and evaluate the risk factors described under "*Risk Factors*" in this Prospectus and in the AIF (as defined herein), which can be found on SEDAR at www.sedar.com, before purchasing the Debenture Units. See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus. The Company and the Agents have not authorized anyone to provide prospective purchasers with information different from that contained or incorporated by reference in this Prospectus. The Agents are offering to sell and seeking offers to buy the Debenture Units only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. Prospective purchasers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Subscriptions for the Debenture Units will be received subject to rejection or allotment, in whole or in part, and the Agents reserve the right to close the subscription books at any time without notice. Closing of the Offering (the "**Closing**") is expected to take place on or about March 26, 2019 or such other date as the Lead Agents and the Company may mutually agree (the "**Closing Date**"), acting reasonably. See "*Plan of Distribution*".

In connection with the Offering, and subject to applicable laws, the Agents may over-allot or effect transactions that are intended to stabilize or maintain the market price of the Convertible Debentures or the Warrants, as applicable, at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

It is anticipated that the Debenture Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited in electronic form. A purchaser of Debenture Units will receive only a customer confirmation from the Agents or another registered dealer from or through which the Debenture Units are purchased and who is a CDS depository service participant (a "**Participant**"). CDS will record the Participants who hold Convertible Debentures and Warrants comprising the Debenture Units on behalf of owners who have purchased Debenture Units in accordance with the book-based system. No certificates evidencing the Convertible Debentures or Warrants comprising the

Debenture Units will be issued to subscribers, except in certain limited circumstances, and registration will be made in the name of the nominee of CDS. Notwithstanding the foregoing, all Debenture Units, Convertible Debentures and Warrants and any Conversion Shares or Warrant Shares, offered and sold in the United States or to or for the account or benefit of U.S. Persons who are institutional "accredited investors" as such term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the U.S. Securities Act (the "**U.S. Accredited Investors**"), and who are not "qualified institutional buyers," as such term is defined in Rule 144A under the U.S. Securities Act ("**Qualified Institutional Buyers**") will be issued in certificated, individually registered form. See "*Plan of Distribution*".

Concurrently with the Offering, on or prior to the closing of the Offering, certain subscribers will purchase, on a private placement basis, an aggregate of up to 400 Debenture Units (the "**Private Placement Units**"), for gross proceeds of up to $400,000, concurrent with the closing of the Offering (the "**Private Placement**"). Each subscriber in the Private Placement will enter into a placing letter with the Company in a form standard in the United Kingdom which will serve as a subscription agreement for the purposes of the Private Placement. The Private Placement Units will be issued to persons or companies outside of Canada pursuant to Section 2.2 of Ontario Securities Commission Rule 72-503 - *Distributions Outside of Canada*, and neither the Debenture Units sold under the Offering or the Private Placement Units have been, or will be, registered under the U.S. Securities Act. Assuming closing of the Private Placement full, the Agents will receive a cash compensation for the distribution of the Private Placement Units, pursuant to an agreement between the Lead Agents and the Company, on the same terms as those described under the Agency Agreement in connection with the distribution of the Debenture Units under the Offering. This Prospectus does not qualify the distribution of any securities issued pursuant to the Private Placement and the Agents are not involved, directly or indirectly, in the issuance, offer and sale of the Private Placement Units being distributed pursuant to the Private Placement. The closing of the Private Placement is subject to acceptance by the CSE. Closing of the Offering is not conditional upon the closing of the Private Placement. No insiders are expected to participate in the Private Placement.

There will be no Closing of this Offering unless all of the 50,000 Debenture Units are issued and sold. If subscriptions for the full Offering have not been received within 20 days following the date a receipt is issued for the final Prospectus or for an amendment to this Prospectus, this Offering will not continue and subscription proceeds will be returned to subscribers, without interest, set-off or deduction. Subscription proceeds will be received by the Agents, or by any other securities dealer authorized by the Agents, and will be held by the Agents, or by any other securities dealer authorized by the Agents, in trust until subscriptions for the full Offering are received and other closing conditions of this Offering have been satisfied.

The Convertible Debentures are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus. The Company and the Agents have not authorized anyone to provide prospective purchasers with information different from that contained or incorporated by reference in this Prospectus. The Agents are offering to sell and seeking offers to buy the Debenture Units only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. Prospective purchasers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Debenture Units, Convertible Debentures, Warrants, Conversion Shares and/or Warrant Shares.

The Company's head office is located at 20 Richmond Street East, Suite 600, Toronto, Ontario, M5C 2R9, Canada, and its registered office is located at 2900 - 550 Burrard St., Vancouver, British Columbia, V6C 0A3, Canada.

This Prospectus qualifies the distribution of securities of an entity that currently derives, directly, a substantial portion of its revenues from the cannabis industry in the State of Nevada, which industry is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. The Company is directly involved (through its licensed subsidiaries) in the cannabis industry in the United States where local state laws permit such activities. Currently, the Company's subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational and medicinal cannabis marketplace in the State of Nevada. Third party service providers could suspend or withdraw services as a result of the Company operating in an industry that is illegal under U.S. federal law.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. 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. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States, marijuana is largely regulated at the State level. State laws regulating cannabis are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or adult-use 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. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and State law, the federal law shall apply.

On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including a memorandum issued by the U.S. Department of Justice, known as the "Cole Memorandum", on August 29, 2013, to the U.S. Attorneys' offices (federal prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law, provided that certain enumerated enforcement priorities are not implicated. With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the Department of Justice was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

Former U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was replaced by Matthew Whitaker as interim Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry.

There is no guarantee 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. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use 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 U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

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 Canadian Securities Administrators published a staff notice ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. 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.

Since 2014, the United States Congress has passed appropriations bills which included provisions 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 (currently the "Leahy Amendment", but also referred to as the Rohrabacher-Farr Amendment). On December 22, 2018, Congress failed to pass the 2019 Fiscal Year Appropriations Bill, including the Leahy Amendment, causing a shutdown of the federal government. During a federal government shutdown, certain "nonessential" governmental programs are stalled; however, federal law enforcement and prosecution actions are exempted from furlough, thus Drug Enforcement Administration agents and federal prosecutors can operate without any restriction otherwise imposed by the spending bill regarding interference with the cannabis industry. Accordingly, during a shutdown, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis business that are otherwise compliant with state law.

On January 25, 2019, President Trump ended the government shutdown but announced that he may shutdown the government again on February 15, 2019 if, by that time, Congress has not agreed on the final 2019 Fiscal Year Appropriations Bill which includes sufficient funding for a border wall between the United States and Mexico. On February 15, 2019, President Trump avoided another government shutdown and signed the 2019 Fiscal Year Appropriations Bill which included the Leahy Amendment, extending its application until the end of the 2019 fiscal year on September 30, 2019. There can be no assurances that the Leahy Amendment will be included in future appropriations bills.

For these reasons, the Company's operations in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian and U.S. authorities. There are a number of risks associated with the business of the Company. See section entitled "*Risk Factors*" in this Prospectus and in the AIF, including under "*Marijuana is illegal under U.S. federal law*", "*Marijuana is strictly regulated in those states which have legalized it for medical or recreational use*", "*Newly established legal regime*" and "*Heightened scrutiny by Canadian and U.S. regulatory authorities*".

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

The information provided in this Prospectus, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words and includes, among others, information regarding expectations of the effect of the Offering; statements relating to the business and future activities of, and developments related to, the Company after the date of this Prospectus; future business strategy, competitive strengths, goals, expansion and growth of the Company's business; operations and plans, including cultivation and licensing assets, and the grant of licenses or renewals; receipt of regulatory approvals in a timely manner or at all; the transfer and/or maintenance of licenses and third-party consents in a timely manner or at all; the expansion of existing cultivation and production facilities, including the timely and successful completion of the conversion of the NLV Greenhouse (as defined below) to cannabis cultivation and production; the completion of cultivation and production facilities that are under construction; any potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the United States and the State of Nevada; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to risks and uncertainties related to:

- marijuana is illegal under U.S. federal law;
- uncertainty surrounding the Trump Administration and the office of Attorney General and their influence and policies in opposition to the cannabis industry as a whole;
- marijuana is strictly regulated in those states which have legalized it for medical or recreational use;
- newly established legal regime;
- restricted access to banking;
- heightened scrutiny by Canadian and U.S. regulatory authorities;
- constraints on marketing products;
- unfavorable tax treatment of cannabis businesses;
- risk of civil asset forfeiture;
- proceeds of crime statutes;
- limited intellectual property protection;
- lack of access to U.S. bankruptcy protections;
- potential FDA regulation;
- legality of contracts;
- foreign investors in Flower One and its directors, officers, and employees may be subject to entry bans into the United States;
- limited operating history;
- uncertainty about the Company's ability to continue as a going concern;
- actual results of operations may differ materially from the expectations of the Company's management;
- significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations;
- voting control;
- Flower One being a holding company;
- Flower One's products;
- unfavourable publicity or consumer perception;
- risks inherent in an agricultural business;

- energy costs;
- reliance on key personnel;
- reliance on a single jurisdiction;
- unknown environmental risks;
- security risks;
- product recalls;
- results of future clinical research;
- competition;
- liquidity, financial resources and access to capital;
- licenses;
- future acquisitions or dispositions;
- insurance and uninsured risks;
- dependence on key inputs, suppliers and skilled labour;
- difficulty to forecast;
- management of growth;
- internal controls;
- litigation;
- product liability;
- general economic risks;
- completion of the Offering;
- discretion in the use of proceeds;
- inability to satisfy payments;
- market for warrants and convertible Debentures;
- redeeming on a change of control;
- shareholder rights;
- investment eligibility;
- Convertible Debentures may be subject to withholding taxes and participating debt interest;
- change in withholding tax laws;
- trading market;
- sales of substantial amounts of Common Shares having an adverse effect on market price of the Common Shares;
- volatile market price for the Common Shares;
- currency fluctuations; and potential dilution; and
- other factors beyond the Company's control, as more particularly described under the heading "*Risk Factors*" in this Prospectus.

Prospective purchasers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, prospective purchasers should not place undue reliance on forward-looking information and statements, including the documents incorporated herein by reference, as statements containing forward-looking information involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking information and statements contained herein are presented for the purposes of assisting prospective purchasers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

GENERAL MATTERS

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus and are not entitled to rely on parts of the information contained or incorporated by reference in this Prospectus to the exclusion of others. Neither the Company nor the Agents have authorized any other person to provide prospective purchasers with additional or different information. If a prospective purchaser is provided with additional, different or inconsistent information, the prospective purchaser should not rely on such information. The information contained on the Company's website is not a part of this Prospectus and is not incorporated by reference into this Prospectus despite any references to such information in this Prospectus or the documents incorporated by reference, and prospective investors should not rely on such information when deciding whether or not to invest in the Debenture Units. Other than this Prospectus in electronic format, the information on the Agents' website and any information contained in any other website maintained by the Agents or their affiliates is not part of this Prospectus, has not been approved and/or endorsed by the Company or the Agents and should not be relied upon by prospective purchasers.

Neither the Company nor the Agents are making an offer to sell in any jurisdiction where the offer or sale is not permitted. The information contained or incorporated by reference in this Prospectus is accurate only as of the date of this Prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this Prospectus or any sale of the Debenture Units. The business, financial condition, results of operations and prospects of the Company may have changed since those dates. The Company does not undertake to update the information contained or incorporated by reference herein, except as required by applicable Canadian securities laws.

This Prospectus shall not be used by anyone for any purpose other than in connection with the Offering.

Unless the context otherwise requires, any references in this Prospectus to the "Company" or "FONE" refer to Flower One Holdings Inc. and its subsidiaries.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus, including the documents incorporated herein by reference, concerning the Company's industry and the markets in which it operates or seeks to operate is based on information from third party sources, industry reports and publications, websites and other publicly available information, and management studies and estimates. Unless otherwise indicated, the Company's estimates are derived from publicly available information released by third party sources as well as data from the Company's own internal research and include assumptions which the Company believes to be reasonable based on management's knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and the Company has not independently verified any third-party information. While the Company believes that such third-party information to be generally reliable, such information and estimates are inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance or the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this Prospectus under "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Information*" and in the AIF under "*Risk Factors*".

CURRENCY PRESENTATION AND EXCHANGE RATES

Unless the context otherwise requires, all references to "$", "C$" and "dollars" mean references to the lawful money of Canada. All references to "US$" refer to United States dollars.

On March 21, 2019, the daily average exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US$1.00 = $1.3366.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to the Agents, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**") as of the date hereof, the Convertible Debentures, the Warrants, the Warrant Shares and the Conversion Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act (collectively "**Registered Plans**") and trusts governed by deferred profit sharing plans, provided that:

(i) in the case of Convertible Debentures, either (a) the Convertible Debentures are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE), or (b) the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE);

(ii) in the case of Warrants, either (a) the Warrants are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE), or (b) the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE) and the Company is not a "connected person" under the Registered Plan. For this purpose, a "connected person" under a Registered Plan is a person who is an annuitant, beneficiary, employer or subscriber under, or holder of, the Registered Plan, and each person that does not deal at arm's length with that person; and

(iii) in the case of Warrant Shares and Conversion Shares, the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE).

Notwithstanding the foregoing, holders, annuitants or subscribers of Registered Plans (each a "**Controlling Individual**") will be subject to a penalty tax in respect of the Convertible Debentures, Warrants, Warrant Shares and Conversion Shares held in a trust governed by a Registered Plan if such Convertible Debentures, Warrants, Warrant Shares or Conversion Shares, as the case may be, are a "prohibited investment" under the Tax Act for the particular Registered Plan. Convertible Debentures, Warrants, Warrant Shares or Conversion Shares will generally not be a "prohibited investment" for a Registered Plan unless the Controlling Individual of the Registered Plan (i) does not deal at arm's length with the Company for purposes of the Tax Act; or (ii) has a "significant interest", as defined in the Tax Act, in the Company. However, Warrant Shares and Conversion Shares will not be a "prohibited investment" if such securities are "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for trusts governed by a Registered Plan.

Persons who intend to hold Convertible Debentures, Warrants, Warrant Shares or Conversion Shares in a Registered Plan, should consult their own tax advisors in regard to the application of these rules in their particular circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Company at 20 Richmond Street East, Suite 600, Toronto, Ontario, M5C 2R9, Canada, telephone (416) 848-9835, and are also available electronically at www.sedar.com.

The following documents filed with the securities commission or similar regulatory authority in the provinces of Canada, except Québec, are specifically incorporated by reference into this Prospectus:

(a) the annual information form of the Company for the year ended January 31, 2018 (the "**AIF**");

(b) the audited financial statements of the Company (as it existed prior to the completion of the Transaction(as defined herein)), and the notes thereto, for the years ended January 31, 2018 and 2017, together with the notes thereto and the auditor's report thereon (the "**Annual Financial Statements**");

(c) the management's discussion and analysis of the financial condition of the Company (as it existed prior to the completion of the Transaction) for the year ended January 31, 2018;

(d) the unaudited interim condensed consolidated financial statements of the Company for the three and nine-month periods ended September 30, 2018 and 2017, together with the notes thereto (the "**Interim Financial Statements**");

(e) the management's discussion and analysis of the financial condition of the Company for the nine-month period ended September 30, 2018;

(f) the sections entitled "Indebtedness of Directors and Officers", as well as Schedules "B", "D" and "E" in the listing statement of the Company dated September 21, 2018;

(g) the management information circular of the Company dated July 13, 2018, prepared in connection with an annual and special meeting of shareholders of the Company held on August 17, 2018;

(h) the audited financial statements of CNX Holdings Inc. ("**CNX**") , and the notes thereto, for the period ended December 31, 2017, together with the notes thereto and the auditor's report thereon;

(i) the material change report of the Company dated October 1, 2018 regarding the closing of the Transaction and related matters;

(j) the material change report of the Company dated October 26, 2018 regarding the announcement of the acquisition from NLV Organics, Inc. and related parties ("**NLVO**") of all interest in a property in North Las Vegas, Nevada, and all of the NLVO business' tangible and intangible assets (the "**NLVO Transaction**");

(k) the material change report of the Company dated February 11, 2019 regarding the announcement of the master lease agreement (the "**Master Lease Agreement**") entered into between the Company and Reich Bros Commercial Finance for up to US$30,000,000 in lease financing for certain equipment to be used at the Company's 455,000 square-foot greenhouse and production facility in North Las Vegas, Nevada;

(l) a template version of the term sheet in respect of the Offering, dated March 6, 2019 (the "**Term Sheet**");

(m) the investor presentation entitled "Flower One: Sharply Focused on Executional Highs" and a template version of the term sheet in respect of the Offering, both dated March 4, 2019 (collectively, with the Term Sheet, the "**Marketing Materials**"); and

(n) the material change report of the Company dated March 15, 2019 regarding the announcement of the Offering.

Any documents of the types referred to in the preceding paragraphs (a) through (m), or required by Item 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Company with a securities commission or similar regulatory authority pursuant to the requirements of applicable securities legislation after the date of this Prospectus and prior to the termination of the distribution of this Offering shall be deemed to be incorporated by reference into this Prospectus.

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

misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.

MARKETING MATERIALS

Neither the Marketing Materials, nor any "template version" of any other "marketing materials" (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators) that are utilized by the Agents in connection with the Offering, are not part of this Prospectus to the extent that the contents of the Marketing Materials or other marketing materials, as the case may be, have been modified or superseded by a statement contained in this Prospectus or any amendment.

In addition, any template version of any marketing materials that is filed under the Company's profile on SEDAR at www.sedar.com with the securities commission or similar authority in each of the provinces of Canada, except Québec, in connection with the Offering after the date of this Prospectus and before the termination of the distribution of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

DESCRIPTION OF THE BUSINESS

General

The Company is a cannabis cultivation, production and wholesale company and through its subsidiaries, holds a variety of strategic cannabis investments in Nevada, including Nevada's largest commercial greenhouse; four Nevada state issued marijuana licenses; and certain real property. The Company will be the transferee of an additional four Nevada state marijuana licenses upon approval of the transfer by the Nevada Department of Taxation ("**NDOT**").

Name, Address and Incorporation

The Company was incorporated on January 9, 2007 pursuant to the provisions of the *Business Corporations Act* (British Columbia) under the name "Theia Resources Ltd".

Subsequent to the most recently completed financial year, on September 21, 2018, the Company completed the Transaction under which it acquired all of the issued and outstanding shares of CNX. In connection with the Transaction, on September 20, 2018, the Company changed its name to "Flower One Holdings Inc." and consolidated its shares on a ten for one basis. Upon closing of the Transaction, on September 21, 2018, the Company changed its year end from January 31 to December 31.

The Company's head office is located at 20 Richmond Street East, Suite 600, Toronto, Ontario, M5C 2R9, Canada and its registered and records office is located at 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

The Company is a reporting issuer in British Columbia, Ontario and Alberta. Prior to the completion of the Transaction the shares of the Company were listed for trading on the TSXV Venture Exchange (the "**TSXV**"). In connection with the Transaction, the Company delisted from the TSXV and on October 10, 2018, the Company's Common Shares commenced trading on the CSE under the symbol "FONE". On November 6, 2018, the Company's Common Shares commenced trading in the United Stated on the OTCQB under the symbol "FLOOF".

Real Property

The Company's wholly owned greenhouse facility, located at 3950 N. Bruce Street, North Las Vegas, Nevada (the "**NLV Greenhouse**") is Nevada's largest commercial greenhouse and is currently being converted for cannabis cultivation and production. The construction project will add an additional 25,000 square feet to the existing 430,000 square-foot facility, with approximately 400,000 square feet being converted for the cultivation of marijuana and 55,000 square feet dedicated to a production and packaging facility for the processing, production and high-volume packaging of dry flower, cannabis oils, concentrates and infused products. The NLV Greenhouse is strategically positioned and within close proximity to the lucrative, tourism-driven Las Vegas adult-use and medical cannabis market.

To date, more than 74,000 hours of construction and renovation work have been completed on the NLV Greenhouse. The Company expects that in Q1 2019 the conversion of the NLV Greenhouse to cannabis cultivation will be completed and the NLV Greenhouse will be fully canopied with cannabis plants. During Q2 2019 installation of equipment for cannabis production is expected to be completed and the first commercial cannabis harvest is expected.

In addition to the NLV Greenhouse, the Company owns the land and building located at 4050 Losee Road, North Las Vegas, which building the Company proposes to renovate to allow for multiple uses; and the land and building located at 3443 Neeham Road, North Las Vegas (the "**Neeham Property**"). The Company is additionally in escrow on a 24,000 square foot property immediately adjacent to the Neeham Property.

On October 9, 2018, the Company announced that it had entered into agreements dated October 5, 2018 with NLVO, to purchase a 100% interest in a property in North Las Vegas, Nevada (i.e., the Neeham Property), and all of the business' tangible and intangible assets including the business name(s), product brands, inventory, biological assets, four Nevada cannabis licenses, intellectual property and assignable supply contracts associated with the current business of NLVO (the "**NLVO Agreement**"). As consideration for the purchase of the NLVO property and business, the Company agreed to pay NLVO consideration consisting of cash of US$4,635,650, a vendor note for US$14,564,350 (the "**NLVO Note**") and 4,000,000 Common Shares. The vendor note will be repaid in full using a portion the proceeds of this Offering. The Company closed this acquisition on November 9, 2018. See "*Use of Proceeds*".

On February 11, 2019, the Company announced that it entered into the Master Lease Agreement with Reich Bros Commercial Finance, for up to US$30,000,000 in lease financing for certain equipment at the NLV Greenhouse, the Company's 455,000 square-foot greenhouse and production facility in North Las Vegas, Nevada. The Master Lease Agreement has a five-year term, with the first 12 monthly payments being the equivalent of interest only, followed by forty-eight equal payments, such that all amounts advanced under the lease facility are fully amortized by month 60. The Master Lease Agreement includes a buyout right upon expiration of the term, and early buyout options at months 13, 25 and 37, at the Company's discretion. The Company has completed an initial draw of US$10 million and an additional draw of US$10 million.

During January and February 2019, Flower One announced six separate licensing agreements and brand partnerships which included Rapid Dose Therapeutics, Flyte Concentrates, Old Pal, Palms, Huxton and CannAmerica. These successful brands recognize that the cannabis retail landscape in Nevada is unique and growing rapidly and the Company offers them a capital efficient and timely pathway to enter Nevada's cannabis market.

In the future, the Company intends to leverage its experience in Nevada by replicating its production and cultivation capabilities in other states with legal cannabis markets.

Production and Services

The Company will have the ability to produce up to 140,000 pounds per year, based on a yield of 94 grams of dry flower per plant, a fully canopied greenhouse with 80,000 plants, and six harvest cycles. This will result in 100,000 pounds of triple-A flower. The Company expects that this dry flower output will yield 30% in dry trim, being 30,000 pounds of trim, and 10% of small popcorn bud, being 10,000 pounds. The 55,000 square-foot production facility at the NLV Greenhouse will provide for the development and production of a diverse range of product derivatives ranging from pre-rolls, oils, concentrates, distillates, edibles and topicals. The Company estimates that the annual processing capacity of the production facility, once at full capacity, will be up to 420,000 pounds of cannabis, with the ability to produce up to 20,000 litres of distillate, 50,000 litres of concentrates, 60,000 pounds of wax, 12,000,000 auto-fill packages and 61,000,000 pre-rolls. These products will be sold in both wholesale and packaged formats. The composition of finished products will evolve over time as the largely recreational market in Nevada grows and consumer knowledge of the health and benefits of these product derivatives increases.

The Company plans to have three channels for supplying Nevada's retail cannabis market and post-harvest production market:

1. Direct Selling to Nevada's Dispensaries. The Company plans to sell its own branded products, along with those of third-parties that have contracted with the Company as described below, directly to licensed dispensaries in the State of Nevada.

2. Wholesale Market. The Company plans to sell unbranded, wholesale products to existing production and retail license holders who are seeking to reformulate and package under their own brands. The Company plans to sell a broad range of wholesale product offerings including trim, oil, distillates and dry flower.

3. Contract Cultivation, Production and Packaging. It is not permissible for cannabis grown and processed by state-sanctioned license holders to cross state boundaries, so all cannabis legally sold in Nevada must be grown in Nevada. As the cannabis market continues to rapidly evolve and mature, various brands established in other states will seek to enter the Nevada market. The Company's planned commercial-scale volume of cultivation, production and packaging will provide the expertise, consistent ability to supply and standard operating procedures to enter private label and white label production agreements to meet these anticipated demands of the Nevada market.

The main raw materials and components used in the cultivation and production of the Company's products are cannabis seeds, clones, substrate, water, plant nutrients, and electricity.

Licenses

The Company holds, through one of its subsidiaries, CN Licenseco I, Inc., four Nevada state-issued marijuana licenses to operate in the State of Nevada as a medical and recreational cultivator and producer, including one Medical Marijuana Production License, one Medical Marijuana Cultivation License, one recreational Marijuana Product Manufacturing License and one recreational Marijuana Cultivation Facility License. Under applicable laws, the licenses permit the Company to cultivate, manufacture, process, package, sell, and purchase cannabis pursuant to the terms of the licenses, which are issued by the NDOT under the provisions of Nevada Revised Statutes section 453A.

The Company holds, through one of its subsidiaries, CN Licenseco I, Inc., two municipal business licenses, one to allow for the operation of a medical marijuana cultivation facility and one to allow for the operation of a medical marijuana production facility. Recreational cultivation and production business licenses have been applied for and are pending issuance.

Through the acquisition of the assets of NLVO, the Company will be acquiring four additional licenses, which includes one Medical Marijuana Production License, one Medical Marijuana Cultivation License, one recreational Marijuana Product Manufacturing License, and one recreational Marijuana Cultivation Facility License. The Company also has obtained NLVO's right to pursue a Marijuana Distribution License under a prior application made by NLVO, which license will be transferred to the Company once issued. These licenses are currently in the process of being transferred from NLVO to one of the Company's subsidiaries, CN Licenseco III, Inc., and are awaiting approval by the NDOT. Since the transfer applications were submitted, the NDOT has undertaken a reorganization which included appointment of a new director, appointment of new staff members and reorganization of the licensing review processes. This resulted in a significant slowdown in processing of all pending license-related applications while these changes were implemented. Now that the changes are in place, processing of applications appears to have resumed. While the NDOT has not given a timeline for response, we reasonably expect to receive a response in the coming weeks. See section entitled "*Material Contracts*" in this Prospectus.

The licenses are independently issued for each approved activity for use at Flower One's facilities. The table below lists the licenses in respect of Flower One's operations in Nevada:

Holding Entity	Permit/License	Issuing Authority	Expiration/Renewal Date (if applicable)	Description
CN Licenseco I., Inc.	Medical Marijuana Cultivation License 66298101522105826229	NDOT	Renewal July 1, 2019	State license to allow medical marijuana cultivation at 3950 North Bruce Street, North Las Vegas

Holding Entity	Permit/License	Issuing Authority	Expiration/Renewal Date (if applicable)	Description
CN Licenseco 1., Inc.	Medical Marijuana Production License 93277852865535573437	NDOT	Renewal July 1, 2019	State license to allow medical marijuana production at 3950 North Bruce Street, North Las Vegas
CN Licenseco I., Inc.	Municipal Medical Marijuana Cultivation License	City of North Las Vegas	Expires 04-30-19	Municipal business license to allow for the operation of a medical marijuana cultivation facility at 3950 North Bruce Street, Las Vegas
CN Licenseco I., Inc.	Municipal Medical Marijuana Production License	City of North Las Vegas	Expires 04-30-19	Municipal business license to allow for the operation of a medical marijuana production facility at 3950 North Bruce Street, Las Vegas
CN Licenseco I., Inc.	Marijuana Product Manufacturing License	NDOT	Renewal September 1, 2019	State license to allow recreational marijuana manufacturing at 3950 North Bruce Street, North Las Vegas
CN Licenseco I., Inc.	Marijuana Cultivation Facility License	NDOT	Renewal September 1, 2019	State license to allow recreational marijuana cultivation at 3950 North Bruce Street, North Las Vegas
NLV Organics, Inc.	10982097214978528659 Facility ID RC090	State of Nevada, Department of Taxation	Issued 07-01-17 Expires 06-30-19	State license to allow (recreational) marijuana cultivation at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	22741245849235539745 Facility ID RP065	State of Nevada, Department of Taxation	Issued 07-01-17 Expires 06-30-19	State license to allow (recreational) marijuana production at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	25747995029047849072 Facility ID P065	State of Nevada, Department of Taxation	Issued 07-01-17 Expires 06-30-19	State license to allow medical marijuana production at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	42117353798137771623 Facility ID C090	State of Nevada, Department of Taxation	Issued 07-01-17 Expires 06-30-19	State license to allow medical marijuana cultivation at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	NV20141491568	State of Nevada	Expires 07-31-19	State license to conduct business in the state of Nevada
NLV Organics, Inc.	2016301702	City of Henderson, NV	Expires 06-30-19	General business license at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	M64-00045	City of Las Vegas	Renewal Date 01-01-19 Expires 07-01-19	Medical Marijuana Cultivation Facility Business License at 3443 Neeham Road, North Las Vegas

Holding Entity	Permit/License	Issuing Authority	Expiration/Renewal Date (if applicable)	Description
NLV Organics, Inc.	M65-00001	City of Las Vegas	Renewal Date 01-01-19 Expires 07-01-19	Medical Marijuana Production Facility Business License at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	111278	City of North Las Vegas	Expires 04-30-19	Production (rec) Business License at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	111277	City of North Las Vegas	Expires 04-30-19	Cultivation (rec) Business License at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	105727	City of North Las Vegas	Expires 04-30-19	Medical Cultivation Business License at 3443 Neeham Road, North Las Vegas
NLV Organics, Inc.	105728	City of North Las Vegas	Expires 04-30-19	Medical Production Business License at 3443 Neeham Road, North Las Vegas

See section entitled "*Material Contracts*" in this Prospectus.

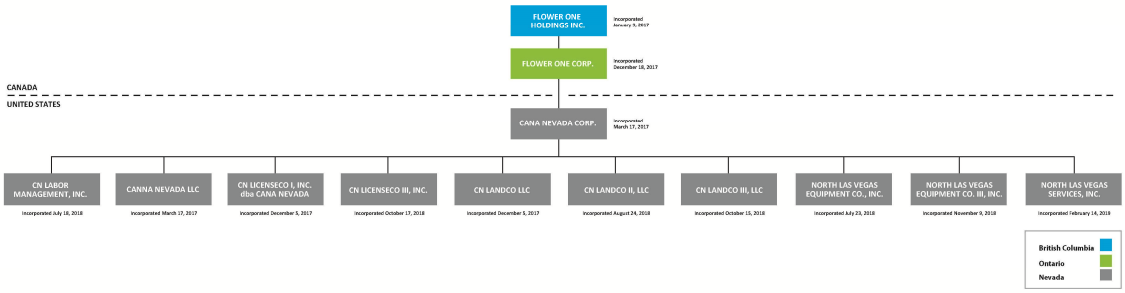
Inter-corporate Relationships

As at January 31, 2018, the Company had no subsidiaries. On June 29, 2018 the Company incorporated Flower One Corp. ("**Flower One Subco**") under the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**") as a wholly owned subsidiary.

CNX was incorporated under the OBCA on December 18, 2017. On September 21, 2018, Flower One Subco amalgamated with CNX pursuant to the terms of pursuant to the terms of an Amalgamation Agreement dated June 29, 2018 between the Company, Flower One Subco and CNX (the "**Transaction**").

Prior to the closing of the Transaction, CNX was the sole shareholder of Cana Nevada Corp., which in turn was the shareholder of six wholly-owned subsidiaries: Canna Nevada LLC, CN Landco LLC, CN Landco II, LLC, CN Licenseco I, Inc., CN Labor Management, Inc., and North Las Vegas Equipment Co., Inc. Other than CNX, all of these subsidiaries were incorporated under the laws of Nevada.

On the closing of the Transaction, CNX's subsidiaries became indirect subsidiaries of Flower One Subco (other than Cana Nevada Corp., which became a direct subsidiary) and indirect subsidiaries of the Company. The following chart illustrates the Company's capital structure, including all of its subsidiaries and jurisdictions of incorporation as of the date hereof. All of the subsidiaries are wholly owned.



Notes:

(1) The Board of Directors of the Company consists of four directors: Ken Villazor (President and Chief Executive Officer), Warner Fong, David Wesley and Amit Varma, the last three of which are not officer of the Company and are therefore independent directors of the Company. The Chief Financial Officer of the Company is Geoff Miachika.

(2) The Board of Directors of Flower One Subco consists of a sole director, Amit Varma. The management of Flower One Subco consists of the following: (i) a President and Chief Executive Officer, Ken Villazor; (ii) a Chief Financial Officer, Geoff Miachika; and (iii) a Corporate Secretary, Jean St. Martin.

(3) The officers and directors of the Company's direct subsidiary, Cana Nevada Corp. and all subsidiaries of Cana Nevada Corp., are the same and are as follows: Karl Fox is President; Robert Pulido is sole director, treasurer and secretary; Dillon Kass as Vice President; and Geoff Miachika is Chief Accounting Officer.

Recent Developments

As of the date of this Prospectus, certain shareholders have entered into a pooling agreement dated October 4, 2018 (the "**First Pooling Agreement**") with Odyssey Trust Company, as pooling agent (the "**Pooling Agent**"), with respect to 73,289,925 Common Shares, 24,429,975 of which are to be released from by the Pooling Agent on each of the dates that are 6, 12 and 18 months after September 21, 2018.

In connection with the Offering, certain parties to the First Pooling Agreement have entered into a separate pooling agreement dated March 18, 2019 with the Pooling Agent pursuant to which such parties agreed to delay the release of 21,312,500 Common Shares due for release under the terms of the First Pooling Agreement on March 21, 2019 by three months.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Company as of the date of the Interim Financial Statements, both before and after giving effect to material changes since the date of the Interim Financial Statements, including the Offering (the "**Consolidated Changes**"):

Designation of Security	As at September 30, 2018 before giving effect to the Consolidated Changes	As at September 30, 2018 after giving effect to the Consolidated Changes[(1)]	As at September 30, 2018 after giving effect to the Consolidated Changes[(2)]
Share Capital			
Common Shares	172,192,279	191,423,048[(3)]	194,307,664[(3)]
Warrants	N/A	9,615,315	11,057,692
Broker Warrants	N/A	1,008,000	1,159,200
Options	7,915,000	7,915,000[(4)]	7,915,000[(4)]
Loan Capital			
Debentures	N/A	50,000	57,500

Notes:

(1) Assuming issuance of the maximum amount of the Debenture Units and no exercise of the Over-Allotment Option.

(2) Assuming issuance of the maximum amount of the Debenture Units and exercise of the Over-Allotment Option in full.

(3) On November 2, 2018, the Company issued 437,500 Common Shares as a result of the exercise of a similar number of stock options exercised at $0.20 each. On November 9, 2018, the Company issued 4,000,000 Common Shares in connection with the NLVO Transaction.

(4) On October 12, 2018, the Company granted 4,375,000 stock options with an exercise price of $2.60 and a due date on October 9, 2023 under the stock option plan of the Company, initially approved by the shareholders of the Company at the annual and special meeting of the shareholders of the Company on October 16, 2009.

DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY

Below is a discussion of the current federal and state-level U.S. regulatory regimes in the State of Nevada, the only jurisdiction where the Company currently has operations. The Company intends to evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and expects to supplement and amend the disclosure in public filings, in the event of material government policy changes or the introduction of new or amended material guidance, laws or regulations regarding marijuana regulation.

Legal and Regulatory Matters

Summary of Flower One's United States Cannabis Activity

The Company has exposure to U.S. cannabis-related activities through the cultivation, production and sale of its cannabis consumer products in the State of Nevada.

The Company cultivates, produces and sells its cannabis consumer products in the State of Nevada in connection with the Neeham Property and related assets. The Company expects to cultivates, produces and sell further cannabis consumer products through the NLV Greenhouse, once it begins operations. The finished products are sold through licensed retailers. All such activity is recorded through U.S. operating subsidiaries in which the Company has a 100% controlling interest.

The Company completed the acquisition of the Neeham Property and related assets on November 9, 2018 and therefore was not directly or indirectly engaged in cannabis-related activity in the United States. as at December 31, 2017.

The following table is a summary of the Company's balance sheet exposure to U.S. cannabis-related activities as of September 30, 2018:

Balance	Amount	% of Total Balance
Current assets	$600,000	2%
Non-current assets	$59,368,590	100%
Total assets	$59,968,580	71%
Current and total liabilities	$18,000,000	99%

Intangibles related to the licenses owned for the NLV Greenhouse and are included in the non-current assets balance.

The only operating item relating to U.S. cannabis-related activities for the nine months ending September 30, 2018 was the rent on the NLV Greenhouse of $564,651 incurred by the Company until the closing of the acquisition on August 31, 2018. This amounted to 25% of all general and administrative expenditures and 8% of total loss for the nine months ending September 30, 2018.

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that support its Interim Financial Statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

United States Federal Overview

In the U.S., 33 states and Washington D.C. have legalized medical marijuana, while nine states and Washington D.C. have also legalized adult-use marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the CSA. Under U.S. 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, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

While technically 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 the Cole Memo to all U.S. Attorneys' offices (federal prosecutors). The Cole Memo 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 adult-use cannabis programs. The Cole Memo, while not legally binding, assisted in managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018 the Cole Memo was revoked by former Attorney General Jeff Sessions. While this did not create a change in federal law - as the Cole Memo was not itself law - the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum known as the "Sessions Memorandum". This confirmed the rescission of the Cole Memo and explained that the Cole Memo was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memo, 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 does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys 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 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 Memo'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. On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on U.S. federal government enforcement policy on marijuana or what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry. In response to the rescission of the Cole Memo, former Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Then Governor Brian Sandoval also stated that "Since Nevada voters approved the legalization of recreational marijuana in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the U.S. attorneys do not plan to change the approach to prosecuting crimes involving recreational marijuana. In the November 2018 election, Nevada elected a new governor, Steve Sisolak, and a new Attorney General, Aaron Ford. Both have historically been supportive of Nevada's marijuana industry and allowing it to grow in a healthy, regulated market in the State of Nevada. They began their four-year terms of office at the beginning of January 2019.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

While it is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memo, a nationwide "crackdown" is unlikely. The sheer size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ and the Trump administration. It is also possible that the rescission of the Cole Memo could motivate Congress to finally reconcile federal and state laws. Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memo nor its rescission has altered that fact. The federal government of the U.S. has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state law sanctioned such sale and disbursement. The Company believes, from a purely legal perspective, that the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has 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, particularly those that are federally chartered in the U.S., could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memo. 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 – marijuana limited, marijuana priority, and 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, respectively. 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 Memo 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 Memo, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memo 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 is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memo. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

One legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016, 2017 and 2018 Consolidated Appropriations Acts (currently the "**Rohrabacher-Leahy Amendment**") 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. Since October 1, 2017, the U.S. federal government has been temporarily appropriated under a series of continuing budget resolutions. In September 2018, Congress passed the Continuing Appropriations Act, 2019 which extends the deadline of the March 2018 omnibus spending bill until December 7, 2018. Following the expiration of the continuing resolution on December 7, 2018, Congress failed to agree upon an appropriations bill, and the United States government entered a partial shutdown. The Rohrabacher-Leahy Amendment was no longer in effect during the partial shutdown. The partial shutdown ended on January 25, 2019 when Congress passed an appropriations bill funding the United States government through February 15, 2019, including language similar to the Rohrabacher Leahy Amendment (now referred to as the "**Joyce/Leahy Amendment**"). The Joyce/Leahy Amendment language was included in base appropriations bill for fiscal year 2019. On February 15, 2019, the U.S. Congress passed an omnibus spending bill (including the Joyce/Leahy Amendment) which will be in effect through September 30, 2019. Accordingly, the language is no longer an "amendment," and is now part of base appropriations. Notably, the safeguard described above has always applied only to medical cannabis programs, and have no effect on pursuit of recreational cannabis activities.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Given current political trends, however, these developments are considered unlikely in the near-term. As an industry best practice, despite the recent rescission of the Cole Memo, the Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memo:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;

- ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);

- implement policies and procedures to ensure that cannabis products are not distributed to minors;

- implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

- implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;

- ensure that its state-authorized cannabis business activity is not used as a cover or pretence for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and

- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company may (and frequently does) conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to equity and debt financing from the prospectus exempt (private placement) markets in Canada and the United States. The Company's executive team and its Board of Directors also have extensive relationships with sources of private capital (such as funds and high net worth individuals), that could be investigated at a higher cost of capital.

While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has access to equity financing through the private markets in Canada and the public concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry.

Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

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 license holders and license applicants. 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 – Restricted Access to Banking*".

Nevada State Law Overview

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioral Health (the "**Division**") licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the NDOT. In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process was merit-based, competitive, and is currently closed.

Nevada does not have any U.S. residency requirements. In the State of Nevada, only cannabis that is grown or produced in the state by a licensed establishment may be sold in the state. In addition, vertical integration is neither required nor prohibited. All medical marijuana sales are made subject to the recipient holding a registry identification card issued by the State of Nevada under Nevada Revised Statute ("**NRS**") RS 453A. 200 through 250. The Company is permitted to sell medical marijuana products to non-Nevada patients as non-Nevada patients are permitted reciprocity under NRS 453A.364, which states at sub-paragraph (2), "A medical marijuana dispensary may dispense marijuana to a person described in subsection 1 if the person presents to the medical marijuana dispensary any document which is valid to prove the authorization of the person to engage in the medical use of marijuana under the laws of his or her state or jurisdiction of residence. Such documentation may include, without limitation, written documentation from a physician or other provider of health care if, under the laws of the person's state or jurisdiction of residence, written documentation from a physician or other provider of health care is sufficient to exempt the person from prosecution for engaging in the medical use of marijuana. Nevada also allows for dispensaries to deliver medical marijuana to patients in the State of Nevada.

Under Nevada's adult-use marijuana law, the NDOT licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the "Marijuana Enforcement Division of the Department of Taxation." For the first 18 months after legalization, applications to the Department for adult-use establishment licenses can only be accepted from existing medical marijuana establishments and from existing liquor distributors for the adult-use distribution license.

Medical Marijuana Program

A medical cultivation license permits its holder to acquire, posses, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana products and/or medical marijuana-infused products, and other medical marijuana cultivation facilities; The medical product manufacturing license permits its holder to acquire, posses, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries.

Each medical marijuana establishment must register with the NDOT and apply for a medical marijuana establishment registration certificate. Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony convictions or had a previously granted medical marijuana registration revoked. Additionally, each volunteer, employee, owner, officer and board member of a medical marijuana establishment must be registered with the NDOT as a medical marijuana agent and hold a valid medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, proposed operating procedures for handling such products must be preapproved by the NDOT.

In determining whether to issue a medical marijuana establishment registration certificate pursuant to NRS 453A.322, the NDOT, considers the following criteria of merit:

- the total financial resources of the applicant, both liquid and illiquid;

- the previous experience of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment at operating other businesses or non-profit organizations;

- the educational achievements of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment;

- any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions;

- whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana;

- the likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located;

- the adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana;

- whether the applicant has an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale;

- the amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and

- any other criteria of merit that the Division determines to be relevant.

Medical marijuana establishment registration certificate expires one year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the NDOT.

Adult Use/Recreational Program

In February 2017, the NDOT announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses expire at the end of the year and, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana. All cannabis cultivated, and infused products produced under the adult-use program that were not existing inventory at a medical marijuana dispensary must be transported to retail marijuana stores utilizing a licensed retail marijuana distributor. Starting on July 1, 2017, medical and adult-use marijuana became subject to a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis is subject to an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

NDOT is responsible for licensing and regulating retail marijuana businesses and medical marijuana program in Nevada. There are five types of retail marijuana establishment licenses:

- *Cultivation Facility* - Licenses to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.

- *Distributor* - Licenses to transport marijuana from a marijuana establishment to another marijuana establishment.

- *Product Manufacturing Facility* - Licenses to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers.

- Testing Facility - Licenses to test marijuana and marijuana products, including for potency and contaminants.

- *Retail Store* - Licenses to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

The regular retail marijuana program began in early 2018. The Regulation and Taxation of Marijuana Act specifies that, for the first 18 months of the program, only existing medical marijuana establishment certificate holders can apply for a retail marijuana establishment license. Beginning in November 2018, NDOT opened the application process to those not holding a medical marijuana establishment certificate. The regular program will be governed by permanent regulations, drafted by NDOT.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, Nevada state law requires the following to each licensed facility:

- be an enclosed, locked facility;
- have a single secure entrance;
- train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption (if applicable), methods of cultivation, methods of fertilization and methods of health monitoring;
- install security equipment to deter and prevent unauthorized entrances, which includes:
    - devices that detect unauthorized intrusion which may include a signal system; and
    - exterior lighting to facilitate surveillance;
- electronic monitoring must be in place, which includes:
    - at least one call-up monitoring that is 19 inches or more;
    - a video printer capable of immediately producing a clear still photo from any video camera image;
- video cameras with a recording resolution of at least 704x480 which provides coverage of all entrances to and exists from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;
- a video camera in each grow room which can identify any activity occurring within the grow room in low light conditions:
    - a method for storing video recordings from the video cameras for at least thirty (30) calendar days;
    - a failure notification system that provides an audible and visual notification of any failure of the electronic monitoring system;
    - sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the vent of a power outage;
    - security alarm to alert local law enforcement of an unauthorized breach of security; and
- implement security procedures that:

- restrict access of the establishment to only those persons/employees authorized to be there;
- deter and prevent theft;
- provide identification (badge) for those persons/employees authorized to be in the establishment;
- prevent loitering;
- require and explain electronic monitoring; and
- require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

Transportation

The issuance of retail marijuana distribution licenses has been subject to an ongoing legal battle after NDOT opened distribution licenses to existing medical marijuana establishments based on the premise that there was an insufficient number of applications from existing liquor distributors to service the new adult-use cannabis market. There are currently 24 licensed distributors that are medical marijuana establishments and six licensed distributors that are liquor distributors. This process has just opened up again and prior applicants have been given notice that they can proceed with their applications.

In Nevada, marijuana may only be transported from a licensed cultivation or production facility by a licensed marijuana distributor. Prior to transporting the marijuana or marijuana products, the distributor must complete a trip plan which includes: the agent name and registration number providing and receiving the marijuana, the date and start time of the trip, a description, including the amount, of the marijuana and marijuana products being transported and the anticipated route of transportation.

During the transportation of marijuana or marijuana products, the licensed marijuana distributor agent must: (i) carry a copy of the trip plan with him or her for the duration of the trip; (ii) have his or her marijuana establishment agent card in his or her immediate possession; (iii) use a vehicle without any identification relating to marijuana and which is equipped with a secure lockbox or locking cargo area which must be used for the sanitary and secure transportation of marijuana, or marijuana products; (iv) have a means of communicating with the marijuana establishment for which he or she is providing the transportation; and (v) ensure that all marijuana or marijuana products are not visible. After transporting marijuana and marijuana products, a licensed marijuana distributor agent must enter the end time of the trip and any changes to the trip plan that was completed.

Each licensed marijuana distributor agent transporting marijuana or marijuana products must report any: (i) vehicle accident that occurs during the transportation to a person designated by the marijuana distributor to receive such reports within two (2) hours after the accident occurs; and (ii) loss or theft of marijuana or marijuana products that occurs during the transportation to a person designated by the marijuana distributor to receive such reports immediately after the marijuana establishment agent becomes aware of the loss or theft. A marijuana distributor that receives a report of loss or theft pursuant to this paragraph must immediately report the loss or theft to the appropriate law enforcement agency and to the NDOT. The distributor must report any unauthorized stop that lasts longer than two (2) hours to the NDOT.

A marijuana distributor shall maintain the required documents and provide a copy of the documents required to the NDOT for review upon request. Each marijuana distributor shall maintain a log of all received reports.

Employees of licensed marijuana distributors, including drivers transporting marijuana and marijuana products, must be 21 years of age or older and must obtain a valid marijuana establishment agent registration card issued by the NDOT. If a marijuana distributor is co-located with another type of business, all employees of co-located businesses must have marijuana establishment agent registration cards unless the co-located business does not include common entrances, exists, break room, restrooms, locker rooms, loading docks, and other areas as are expedient for business and appropriate for the site as determined and approved by Department inspectors. While engaged in the transportation of marijuana and marijuana products, any person that occupies a transport vehicle

when it is loaded with marijuana or marijuana products must have their physical marijuana establishment agent registration card in their possession.

All drivers must carry in the vehicle valid driver's insurance at the limits required by the State of Nevada and the NDOT. All drivers must be bonded in an amount sufficient to cover any claim that could be brought, or disclose to all parties that their drivers are not bonded. Marijuana establishment agent registration cardholders and the licensed marijuana distributor they work for are responsible for the marijuana and marijuana product once they take control of the product and leave the premises of the marijuana establishment.

There is no load limit on the amount or weight of marijuana and marijuana products that are being transported by a licensed marijuana distributor. Marijuana distributors are required to adhere to NDOT regulations and those required through their insurance coverage. When transporting by vehicle, marijuana and marijuana product must be in a lockbox or locked cargo area. A trunk of a vehicle is not considered secure storage unless there is no access from within the vehicle and it is not the same key access as the vehicle. Live plants can be transported in a fully enclosed, windowless locked trailer or secured area inside the body-compartment of a locked van or truck so that they are not visible to the outside. If the value of the marijuana and marijuana products being transported by the vehicle is in excess of $10,000 (the insured value per the shipping manifest), the transporting vehicle must be equipped with a car alarm with sound or have no less than two (2) of the marijuana distributor's marijuana establishment agent registration cardholders involved in the transportation. All marijuana and marijuana products must be tagged for purposes of inventory tracking with a unique identifying label as required by the NDOT and remain tagged during transport. This unique identifying label should be similar to the stamp for cigarette distribution. All marijuana and marijuana product when transported by vehicle must be transported in sealed packages and contains and remains unopened during transport. All marijuana and marijuana product transported by vehicle should be inventoried and accounted for in the inventory tracking system. Loading and unloading of marijuana and marijuana products from the transporting vehicle must be within view of existing video surveillance systems prior to leaving the origination location.

Relationship between Federal and Nevada Law

In response to the rescission of the Cole Memo (as defined below), Former Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Then-Governor Brian Sandoval also stated, "Since Nevada voters approved the legalization of recreational marijuana in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the U.S. attorneys do not plan to change the approach to prosecuting crimes involving recreational marijuana. In the November 2018 election, Nevada elected a new governor, Steve Sisolak, and a new Attorney General, Aaron Ford. Both have historically been supportive of Nevada's marijuana industry and allowing it to grow in a healthy, regulated market in the state. They began their four-year terms of office at the beginning of January 2019.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in the State of Nevada and any state that it may look to expand its operations to in the future, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the United States.

Compliance with Nevada State Law

In Nevada, Kaempfer Crowell has provided and continues to provide legal advice to the Company with respect to compliance with applicable state regulatory frameworks. Kaempfer Crowell provides such advice on an ongoing basis, but it has not provided the Company with a legal opinion on such matters at this time; however, in connection with the Offering, Kaempfer Crowell will deliver a regulatory opinion that the Company and its subsidiaries are in compliance with applicable state cannabis laws.

The Company complies with applicable Nevada state licensing requirements as follows: (i) CN Licenseco I, Inc. and NLVO (which operates under its current license until the transfer of such licenses are approved by NDOT) are licensed pursuant to applicable Nevada state law to cultivate, possess and/or distribute marijuana in Nevada; (ii) renewal dates for such licenses are docketed by the Regulatory Compliance Officer, legal counsel and/or other

advisors; (iii) random internal audits of the Company's business activities are conducted by the applicable Nevada state regulator and by the Company to ensure compliance with applicable Nevada state law; (iv) each employee of the Company 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; (v) each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance; (vi) software is used to track marijuana inventory from seed to sale; (vii) the Company's subsidiaries are contractually obligated to comply with applicable Nevada state law in the United States in connection with the cultivation, possession and/or distribution of marijuana in Nevada in all of its contracts; and (viii) all marijuana sales are to licensed dispensaries only (no retail sales), and in each sale transaction, the Company's subsidiaries engage in the standard practice of exchanging evidence of licensing from all parties (the wholesale seller, wholesale buyer and distributor) to ensure each transaction is legally compliant.

Regulatory Compliance Officer

The Company has a Regulatory Compliance Officer, which position is currently held by Dillon Kass (who is also a vice president of each of the Company's subsidiaries), whose responsibilities include monitoring the activities of staff, including ensuring that the established standard operating procedures are being adhered to at each stage of the cultivation, processing and distribution cycle, to identify any non-compliance matters and to put in place the necessary modifications to ensure compliance. The qualifications for this position are:

- Strong knowledge of regulatory compliance at all levels of government (Local, County, State, and Federal).
- Ethical conduct.
- Ability to prepare complex technical documents for submission to regulatory agencies.
- Excellent technical report writing skills.
- Ability to understand the balance between operational requirements, regulatory requirements, and political messaging.
- Highly developed written and oral communication skills.
- Strong analytical, organizational and problem-solving skills.
- Ability to work independently as well as in a team, managing multiple priorities and timelines

The Regulatory Compliance Officer, performs ongoing reviews of the Company's established standard operating procedures and State of Nevada regulations and reports directly to the State and the Company's Board of Directors and other members of management on a regular basis to ensure compliance. Each employee is provided with an employee handbook outlining the standard operating procedures and state regulations upon hiring. The Company's licenses are in good standing to cultivate and produce marijuana in the State of Nevada and the Company, through CN Licenseco I, Inc. and NLVO is in compliance with Nevada's marijuana regulatory program. CN Licenseco I, Inc. and NLVO have not experienced any non-compliance nor has it been subject to any notices of violation by the State of Nevada.

The Company's Regulatory Compliance Officer also works with external legal advisors in Nevada to ensure that the Company and its subsidiaries are in on-going compliance with applicable Nevada state law, including:

- regular correspondence and updates with advisors;
- regular contact with State inspectors and regulators to ensure compliance;

- development of standard operating procedures with respect to cultivation, processing and distribution, including a documentation control SOP which requires annual SOP review to ensure regulatory compliance, with the first annual review to occur in May 2019;

- ongoing monitoring of compliance with operating procedures and regulations by on-site management;

- appropriate employee training for all standard operating procedures; and

- subscription to monitoring programs to ensure the Company and its subsidiaries are aware of and in compliance with the ongoing changes in State regulations.

In addition to the Regulatory Compliance Officer, all supervisors and managers are tasked with monitoring compliance which is required in the course of their specific job areas, and to report back to the Regulatory Compliance Officer and other members of the management team on a regular basis.

Inventory Management Requirements:

The Company, through its licensed subsidiaries, maintains policies and procedures and employs industry-specific software (METRC) and other inventory and accounting software applications to track inventory and ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;

- inventory intake;

- inventory management;

- sales data tracking and reporting.

Procedures exist to ensure each licensed subsidiary tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;

- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and

- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For cultivation and production facilities, for each lot received at a facility, such inventory control systems are designed to document:

- the batch or lot number;

- the strain of the marijuana seeds or marijuana cuttings planted;

- the number of marijuana seeds or marijuana cuttings planted;

- the date on which the marijuana seeds or cuttings were planted;

- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;

- the number of marijuana plants grown to maturity;

- harvest information, including: the date of harvest; the final yield weight of processed usable marijuana; and the name and agent registration card number of the agent responsible for the harvest;
- marijuana flowers in process in all locations;
- marijuana in storage by location;
- marijuana in locked containers awaiting disposal; and
- an audit trail of all material inventory adjustments.

For all wholesale sales, all invoices and delivery documents must be systematically filed and maintained for a period of five years from date of delivery and must show a legible and complete statement of terms and conditions for each purchase. Sales records must be compliant with all applicable policies and procedures according to applicable documented plans, State laws and regulations, and must include for regulatory authority reporting and internal tracking purposes:

- the date and time of each sale;
- the method of distribution;
- the quantity, form, and price marijuana and any other products sold;
- the consideration given;
- the name, address, and identification number of the marijuana facility as recorded on the electronic verification system;
- the name and agent card number of the person preparing the manifest in METRC; and
- the name and agent card number of the driver who is transporting the product from cultivation/production facility to another cultivation/production facility or dispensary.

Disposal of Inventory:

All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable state and local statutes, ordinances, and regulations. All disposed of waste is recorded in the relevant inventory control system, including:

- a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- the date of disposal;
- confirmation that the marijuana was rendered unusable before disposal;
- the method of disposal; and
- the name and card number of the agent responsible for the disposal.

Only specifically authorized employees can destroy product. A list of authorized employees that may destroy product is required to be maintained under each licensed subsidiary. Permissions are defined by agent and password protected. The destroyed weight and the reason for destruction is required and recorded. The licensed subsidiary's inventory control systems can generate reports on destroyed material at any point in the destruction process. In addition to controls over inventory,

General Security Guidelines

State regulatory frameworks specify guidelines in respect of general security. The applicable general security guidelines include:

- background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- maintaining video surveillance of facilities;
- maintaining visitor logs;
- providing for and maintaining secure perimeters for facilities;
- requesting employees to watch for suspicious activities;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;
- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

The Company will continue to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in Nevada by continuous review of its licenses and affirmation certifications from management. While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. See "*Risk Factors – Risks Related to the United States Regulatory Regime – Marijuana is illegal under U.S. federal law*".

USE OF PROCEEDS

The minimum and maximum net proceeds of the Offering (assuming the maximum Offering) will be $46,650,000, after deducting the Agency Fee and the estimated expenses of the Offering, estimated to be $350,000 (excluding taxes and disbursements), assuming no exercise of the Over-Allotment Option. The net proceeds of the Offering are currently intended to be used for business development in accordance with the table set out below and until deployed will be added to the working capital of the Company.

During the fiscal year ended December 31, 2017, the Company had negative operating cash flows. Although the Company anticipates it will have positive cash flow from operating activities in future periods, if the Company continues to have negative cash flow in the future, all or a portion of the net proceeds of the Offering may be allocated to fund this negative cash flow.

Use of Proceeds	Approximate Amount Assuming Closing of the Offering[(1)] (C$)	Approximate Amount Assuming Full Exercise of Over-Allotment Option (C$)
Repayment of the NLVO Note	19,440,000	19,440,000

Use of Proceeds	Approximate Amount Assuming Closing of the Offering[(1)] (C$)	Approximate Amount Assuming Full Exercise of Over-Allotment Option (C$)
Purchase of assets with respect to the NLV Greenhouse	21,210,000	26,690,000
Purchase of additional property on Neeham Road	330,000	330,000
Purchase of brand partner packaging	670,000	670,000
Additional project working capital and general corporate purposes	5,000,000	6,570,000
Total	**46,650,000**	**53,700,000**

Notes:
(1) The closing of the distribution is subject to fulfilling the full Offering for aggregate gross proceeds of $50,000,000.

The NLVO Note was used in its entirety as partial consideration for the acquisition from NLVO of a 100% interest in the Neeham Property, and all of the business' tangible and intangible assets including the business name(s), product brands, inventory, biological assets, four Nevada cannabis licenses, intellectual property and assignable supply contracts associated with the current business of NLVO.

The purchase of assets for the NLV Greenhouse includes the assets in the 55,000 square-foot production and packaging facility from third-party suppliers. This will include conveyor systems, de-budders, trimmers, drying rooms, irradiation machines, vaulting and storage, extraction lab equipment, distillation equipment, packaging equipment and quality control equipment. The scope of this work is outlined in the Design/Build Contract (as defined below), with respect to the conversion of the NLV Greenhouse available on SEDAR.

The total funds needed to meet working capital requirements of the Company over the course of the next six months is approximately US$11.7 million. The Company intends to use the amount referred to as "Additional project working capital and general corporate purposes" in the table above for this purpose. Accordingly, assuming closing of the Offering, the Company will require approximately an additional US$7.9 million (or US$6.7 million assuming full exercise of the Over-Allotment Option), in order to raise the full US$11.7 million required for working capital and general corporate purposes over the next six months.

The total funds needed by the Company to complete the construction and asset purchase requirements to bring the NLV Greenhouse to operations is approximately US$25 million over the next 12 months. The Company intends to use the amount referred to as "Purchase of assets with respect to the NLV Greenhouse" in the table above. Accordingly, assuming closing of the Offering, the Company will require approximately an additional US$8.7 million (or US$4.5 million assuming full exercise of the Over-Allotment Option), in order to raise the full US$25 required to complete the NLV Greenhouse, including the extraction lab. Currently, the 400,000 square-foot cultivation facility is nearing completion. The 3 vegetative zones of the 400,000 square-foot facility are completed and are undergoing testing of equipment and calibration of the systems. The 8 flower zones are nearing completion and plants are expected to begin onboarding before the end of March 2019, in accordance with the Marketing Materials. Regarding the 55,000 square-foot production facility, the 15,000 square-foot portion is complete. This portion contains the propagation areas and office. The Company is testing equipment and calibrating the systems relating to the propagation of the cuttings (baby cannabis plants). The remaining 40,000 square-foot portion of the production facility will house all the post-harvest and extraction facilities. The Company expects to complete the construction of the 55,000 square-foot production facility by the end of April or early May, in accordance with the Marketing Materials.

In order to satisfy its working capital and general corporate purpose and to complete the construction and asset purchase requirements to bring the NLV Greenhouse to operations, the Company will be required to seek additional financing of approximately an additional US$16.6 million (or US$11.2 million assuming full exercise of the Over-Allotment Option) (the "**Additional Funds**"). The Company intends to pursue further financing by way of a private term-debt, or a sale-leaseback financing. With respect to the Company's ability to obtain further sale-leaseback financing, the Company currently has over US$85 million in fixed assets. To date, the Company has obtained sale-leaseback financing in the amount of US$20 million. Accordingly, using a loan to value ratio of 70%, which is the current loan to value ratio in the lease financing, the Company expects to be able to obtain additional sale-leaseback financing of US$39.5 million. At this time, the Company has not entered into any financing arrangements other than as disclosed in this Prospectus.

If the Company was not able to raise the Additional Funds described above, the Company will defer the completion of the extraction lab portion of the NLV Greenhouse as currently scheduled. In this case, the Company would not experience a delay in the timing of completion of the 400,000 square-foot cultivation facility, and it would proceed to complete the 55,000 square-foot production facility without the extraction lab, until the necessary financing is in place. The Company will use the expected cash flows from the Neeham Property to assist in the working capital requirements to get the NLV Greenhouse operating, without the extraction lab, which means that the Company will be able to produce 140,000 pound of dried cannabis flower in accordance with the Marketing Materials, but not any products requiring extracted cannabis such as oils, vape pens, edibles and topicals.

With respect to the Company's other financial obligations:

- the Company notes that the due date for payment of the US$18 million note has been extended to March 31, 2020 under the terms of the First Amendment to Promissory Note dated March 20, 2019 entered into between CN Landco LLC and North Las Vegas Properties, Inc. The principal sum of US$18 million is subject to interest of 9.5% per annum. The Company may repay this note in full at any time. The Company will seek further financing to fund this note, as described above; and

- the NLVO Note (US$14 million) is due on March 31, 2019 and the Company expects to repay it in full with the proceeds from the Offering. If the Offering does not close in time, the Company will seek to defer the payment date under the NLVO Note or, alternatively, pursue further financing as described above.

If the Company cannot raise additional funds, in a timely manner, to bring the NLV Greenhouse into operation as it currently plans, then this would have an impact on the Company's ability to complete the extraction lab. Further, the Company will use the cash flows from the Neeham Property to assist in the working capital requirements, until the Company may implement the financing required to bring the NLV Greenhouse into full operation. However, there can be no certainty that such additional funding will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that could have a material adverse impact on the Company's results of operations, financial condition and cash flows.

If the Over-Allotment Option is exercised in full for Additional Securities, the Company will receive additional net proceeds of $7,050,000 after deducting the Agency Fee specifically attributed to the sale of Additional Securities. The net proceeds from the exercise of the Over-Allotment Option, if any, are expected to be used for general corporate and other working capital purposed.

While the Company currently anticipates that it will use the net proceeds of the Offering as set forth above, the Company may re-allocate the net proceeds of the Offering, as applicable from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. Until utilized, the net proceeds of the Offering will be held in cash balances in the Company's bank account or invested at the discretion of the Board of Directors of the Company. Management will have discretion concerning the use of the net proceeds of the Offering, as well as the timing of their expenditure. See "*Risk Factors*".

PLAN OF DISTRIBUTION

General

Pursuant to the Agency Agreement, the Company has agreed to retain the Agent to offer for sale, on a "best efforts" agency basis, to the public in all of the provinces of Canada, except Quebec, subject to prior sale, if, as and when issued by the Company, 50,000 Debenture Units for aggregate gross proceeds of $50,000,000 at a price of $1,000 per Debenture Unit, subject to compliance with all necessary legal requirements and to the conditions contained in the Agency Agreement ($57,500,000 aggregate principal amount of Convertible Debentures and 11,040,000 Warrants comprising 57,500 Debenture Units if the Over-Allotment Option is exercised in full).

The Agents will severally (and not jointly or jointly and severally) offer for sale on behalf of the Company, as agents, and, pursuant to the terms of the Agency Agreement, the Company will sell on the Closing Date, 50,000 Debenture Units (or up to 57,500 Debenture Units if the Over-Allotment Option is exercised in full) at the Offering Price, for aggregate gross consideration of $50,000,000 (or up to $57,500,000 if the Over-Allotment is exercised in full). The Offering Price was determined by arm's length negotiation between the Company and the Lead Agents, on behalf of the Agents, with reference to the prevailing market price of the Common Shares. **The terms of the Offering and the prices of the Debenture Units have been determined by negotiation between the Company and the Lead Agents, on behalf of the Agents.**

The Company has agreed to the Over-Allotment Option, exercisable in whole or in part, in the sole discretion of the Agents, at any time, and from time to time, until the Over-Allotment Deadline, of up to: (i) 7,500 Over-Allotment Units at the Offering Price, each Over-Allotment Unit comprised of one Additional Debenture and 192 Additional Warrants; (ii) Additional Debentures at a price of $824.51 per Additional Debenture; (iii) Additional Warrants at a price of $0.9140 per Additional Warrant; or (iv) any combination of Over-Allotment Units, Additional Debentures and Additional Warrant, so long as the aggregate number of Additional Debentures and Additional Warrants which may be issued under the Over-Allotment Option (including those comprising Over-Allotment Units) does not exceed 7,500 Additional Debentures and 1,440,000 Additional Warrants. The Over-Allotment Option represents an option to acquire up to 15% of the Convertible Debentures and/or or the Warrants comprising the Debenture Units offered pursuant to the Offering. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of any Additional Securities. A purchaser who acquires Additional Securities forming part of the Agents' over allocation position acquires those Additional Securities under this Prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Agents exercise the Over-Allotment Option in full, the total price to the public relating to the Offering, the Agency Fee and the net proceeds to the Company before deducting the expenses of the Offering will be $57,500,000, $3,450,000 and $54,050,000, respectively.

The Agency Agreement provides that the Company will pay, on closing of the Offering, the Agency Fee equal to 6.0% of gross proceeds raised in respect of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option. The aggregate Agency Fee payable to the Agents by the Company in consideration for their services in connection with the Offering is expected to be $3,000,000 (assuming the maximum Offering). As additional consideration for the services rendered in connection with the Offering, the Company has agreed to issue to the Agents such number of Broker Warrants as is equal to 3.5% of: (i) the number of Common Shares issuable upon conversion of the Convertible Debentures (based on the Conversion Price); plus (ii) the number of Common Shares issuable upon exercise of the Warrants sold under the Offering (including any gross proceeds raised on the exercise of the Over-Allotment Option). Each Broker Warrant will entitle the holder thereof to acquire one Broker Share at an exercise price of $2.60 per Broker Share for a period of 36 months following the Closing Date, subject to adjustment in certain customary events.

There will be no Closing of this Offering unless all of the 50,000 Debenture Units are issued and sold. If subscriptions for the full Offering have not been received within 20 days following the date a receipt is issued for the final Prospectus or for an amendment to this Prospectus, this Offering will not continue and subscription proceeds will be returned to subscribers, without interest, set-off or deduction. Subscription proceeds will be received by the Agents, or by any other securities dealer authorized by the Agents, and will be held by the Agents, or by any other securities dealer authorized by the Agents, in trust until subscriptions for the full Offering are received and other closing conditions of this Offering have been satisfied.

The Offering is being made in each of the provinces of Canada, except Québec. The Debenture Units will be offered through those Agents or their affiliates who are registered to offer the Debenture Units for sale in such provinces and such other registered dealers as may be designated by the Agents. Subject to applicable law, the Agents may offer the Debenture Units in the United States and such other jurisdictions outside of Canada and the United States as agreed between the Company and the Lead Agents.

The Company has given notice to the CSE to list the Convertible Debentures, the Warrants, the Conversion Shares, the Warrant Shares and the Common Shares issuable upon exercise of the Broker Warrants on the CSE. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE.

Under the Agency Agreement, the Company will indemnify and hold harmless each of the Agents and their respective affiliates and subsidiaries, and each Selling Firm (as defined therein), and their respective directors, officers, partners, agents, employees, and each other person, if any, controlling any of the Agents or their subsidiaries and affiliates against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Agents may be required to make in respect thereof.

The Offering is being made in each of the provinces of Canada, other than Québec. The Debenture Units, Convertible Debentures, Conversion Shares, Warrants and Warrant Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, a person in the United States or a U.S. Person, unless pursuant to an exemption to the registration requirements of such laws. Accordingly, each Agent has agreed that it will not offer, sell or deliver the Debenture Units, Convertible Debentures, Conversion Shares, Warrants or Warrant Shares within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Agents may offer and sell the Debenture Units, Convertible Debentures and Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons to institutional "accredited investors" meeting one or more of the criteria in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act (each an "**Institutional Accredited Investors**") pursuant to Rule 506(b) of Regulation D and applicable state securities laws The Agents will offer and sell the Debenture Units, Convertible Debentures and Warrants outside the United States to non-U.S. Persons only in accordance with Regulation S under the U.S. Securities Act.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities to, or for the account or benefit of, a person in the United States or a U.S. Person. In addition, until 40 days after commencement of the Offering, an offer or sale of the Debenture Units, Convertible Debentures and Warrants within the United States by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act and similar exemptions under applicable state securities laws.

In the United Kingdom, the Offering is exempt from the requirement to publish an approved prospectus pursuant to Section 86 of the United Kingdom Financial Services and Markets Act 2000 ("**FSMA**"). Accordingly this Prospectus is not an "approved prospectus" within the meaning of Section 85(7) of FSMA and its contents have not been examined or approved by the United Kingdom Financial Conduct Authority or London Stock Exchange plc, nor has it been approved by a person authorized under the FSMA for the purposes of Section 21 of FSMA. The Offering is only being and may only be made to or directed at persons in the United Kingdom who are within the categories of persons referred to in Article 19(5) (Investment professionals), Article 49(2)(a) to (d) (High net worth companies, unincorporated associations etc.) or Article 50 (Certified sophisticated investors) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**") ("relevant persons"). The securities being offered hereby are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Reliance on this document for the purpose of engaging in any investment activity may expose the investor to a significant risk of losing all of the property invested or of incurring additional liability.

Those relevant persons in the United Kingdom falling within the category of persons referred to in Article 50 (Certified sophisticated investors) of the FPO should note that the criteria for such categorisation are as follows:

- in relation to an investment in issuers such as the Company and in relation to securities such as the Debenture Units, such person must have a current certificate signed by a person authorised authorized in the United Kingdom to the effect that such relevant person is sufficiently knowledgeable to understand the risks associated with investments such as the Debenture Units; and

- within the period of twelve months ending with the date of this Prospectus, such relevant person must have signed a statement in the form prescribed by the FPO to the effect that such person qualifies as a certified sophisticated investor and accepts that the contents of financial promotions and other materials received may not have been approved by a person authorized in the United Kingdom. Further, that the content of any such financial promotions and materials may not be subject to the controls which would apply were they so made or approved, and that such relevant person is aware that it is open to it to seek advice from someone who specializes in advising on such investments.

Concurrently with the Offering, on or prior to the closing of the Offering, certain subscribers will purchase, on a private placement basis, an aggregate of up to 400 Private Placement Units, for gross proceeds of up to $400,000. Each subscriber in the Private Placement will enter into a placing letter with the Company in a form standard in the United Kingdom which will serve as a subscription agreement for the purposes of the Private Placement. The Private Placement Units will be issued to persons or companies outside of Canada pursuant to Section 2.2 of Ontario Securities Commission Rule 72-503 - Distributions Outside of Canada, and neither the Debenture Units sold under the Offering or the Private Placement Units have been, or will be, registered under the U.S. Securities Act. Assuming closing of the Private Placement full, the Agents will receive a cash compensation for the distribution of the Private Placement Units, pursuant to an agreement between the Lead Agents and the Company, on the same terms as those described under the Agency Agreement in connection with the distribution of the Debenture Units under the Offering. This Prospectus does not qualify the distribution of any securities issued pursuant to the Private Placement and the Agents are not involved, directly or indirectly, in the issuance, offer and sale of the Private Placement Units being distributed pursuant to the Private Placement. The closing of the Private Placement is subject to acceptance by the CSE. Closing of the Offering is not conditional upon the closing of the Private Placement. No insiders are expected to participate in the Private Placement.

The Company has agreed not to offer, announce the offering of, or make any agreement to issue any equity or debt securities or securities convertible or exercisable into equity or debt securities of the Company (other than for purposes of the stock option plan of the Company as it currently exists or pursuant to an agreement to make arm's length acquisition of an interest in an asset) for a period commencing on the date hereof and ending 90 days from Closing, without the prior written consent of the Lead Agents, such consent to not be unreasonably withheld, conditioned or delayed.

There is currently no market through which the Convertible Debentures or the Warrants may be sold and purchasers may not be able to resell the Convertible Debentures or the Warrants purchased under this Prospectus.

Subscriptions for the Debenture Units will be received subject to rejection or allotment, in whole or in part, and the Agents reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on the Closing Date. The Agents will hold all subscription funds received pending Closing and will return such subscription funds to the subscribers without interest, set-off or deduction if the Offering, pursuant to the terms of the Agency Agreement, is not completed on or before the day that is 20 days following the date a receipt is issued for the final Prospectus or for an amendment to this Prospectus, or such late date as the Company and the Lead Agents may agree to and the securities regulatory authorities may approve.

It is anticipated that the Convertible Debentures and Warrants comprising the Debenture Units will be delivered under the book-based system through CDS or its nominee and deposited in electronic form, or will otherwise be delivered to the Agents registered as directed by the Agents, on the Closing Date. Except in limited circumstances, a purchaser of Debenture Units will receive only a customer confirmation from the registered dealer from or through which the Debenture Units are purchased and who is a Participant. CDS will record the Participants who hold Convertible Debentures and Warrants comprising the Debenture Units on behalf of owners who have purchased Debenture Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required. Notwithstanding the foregoing, all Convertible Debentures, any Conversion Shares, all Warrants and any Warrant Shares, offered and sold in the United States or to or for the account or benefit

of U.S. Persons who are Institutional Accredited Investors, and who are not otherwise Qualified Institutional Buyers, will be issued in certificated, individually registered form.

Price Stabilization and Passive Market-Making

In connection with the Offering and subject to applicable laws, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Convertible Debentures or the Warrants, as applicable, at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. The Agents may carry out these transactions on the CSE, in the over-the-counter market or otherwise.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period.

As a result of these activities, the price of the Convertible Debentures, the Warrants or the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Agents at any time. The Agents may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or as otherwise permitted by applicable law.

Concurrent Private Placement

Concurrently with the Offering, on or prior to the closing of the Offering, certain subscribers will purchase, on a private placement basis, an aggregate of up to 400 Private Placement Units, for gross proceeds of up to $400,000. Each subscriber in the Private Placement will enter into a placing letter with the Company in a form standard in the United Kingdom which will serve as a subscription agreement for the purposes of the Private Placement. The Private Placement Units will be issued to persons or companies outside of Canada pursuant to Section 2.2 of Ontario Securities Commission Rule 72-503 - Distributions Outside of Canada, and neither the Debenture Units sold under the Offering or the Private Placement Units have been, or will be, registered under the U.S. Securities Act. Assuming closing of the Private Placement full, the Agents will receive a cash compensation for the distribution of the Private Placement Units, pursuant to an agreement between the Lead Agents and the Company, on the same terms as those described under the Agency Agreement in connection with the distribution of the Debenture Units under the Offering. This Prospectus does not qualify the distribution of any securities issued pursuant to the Private Placement and the Agents are not involved, directly or indirectly, in the issuance, offer and sale of the Private Placement Units being distributed pursuant to the Private Placement. The closing of the Private Placement is subject to acceptance by the CSE. Closing of the Offering is not conditional upon the closing of the Private Placement. No insiders are expected to participate in the Private Placement.

EARNINGS COVERAGE RATIOS

The following earnings coverages and adjusted earnings coverages are calculated on a consolidated basis for the years ended January 31, 2018 and January 31, 2017 and are derived from the Annual Financial Statements and the Interim Financial Statements incorporated by reference in this Prospectus.

The Company's interest requirements amounted to $nil and $nil for the year ended January 31, 2018 and the 9-month period ended September 30, 2018, respectively. The Company's losses before interest expense and income tax expense were $171,478 and $7,170,847 for the years ended January 31, 2018 and the 9-month period ended September 30, 2018, respectively, which is (nil) times and (nil) times, respectively, the Company's interest requirements for these periods.

The Company's pro forma interest requirements, after giving effect to the issue of the Convertible Debentures partially comprising the Debenture Units pursuant to the Offering (assuming the issuance of the maximum number

of Debenture Units and excluding any exercise, in whole or in part, of the Over-Allotment Option) would have been $4,750,000 and $3,562,500 for the year ended January 31, 2018 and the 9-month period ended September 30, 2018, respectively.

The Company's pro forma losses before interest expense and income tax expense would have amounted to $171,478 and $7,170,847 for the year ended January 31, 2018 and the 9-month period ended September 30, 2018, respectively, which is (0.04) times and (1.57) times, respectively, the Company's interest requirements for these periods.

The Company would have required additional earnings before interest expense and income tax of approximately $4,921,478 for the year ended January 31, 2018 and approximately $9,144,151 for 9-month period ended September 30, 2018 to achieve coverage ratios of one to one.

These coverage ratios reflect historical earnings adjusted for the net impact of interest on the Convertible Debentures, as noted. Under International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board, a portion of the Convertible Debentures will be classified on the balance sheet as a liability and a portion allocated to equity to reflect the conversion feature. For purposes of the pro forma calculations above, interest expense has been calculated using the effective interest method and also includes the amortization of debt issuance costs.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Offering

The Offering consists of Debenture Units offered at the Offering Price of $1,000 per Debenture Unit. Each Debenture Unit will consist of one Convertible Debenture in the principal amount of $1,000 and 192 Warrants.

Authorized Share Capital

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the date of this Prospectus, there are 176,629,779 Common Shares issued and outstanding. The holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Company either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company. The Common Shares rank equally as to all benefits which might accrue to the holders thereof, including the right to receive dividends, voting powers, and participation in assets and in all other respects, on liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other disposition of the assets of the Company among its shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The Common Shares are not subject to call or assessment rights or any pre-emptive or conversion rights. There are no provisions for redemption, purchase for cancellation, surrender or purchase of funds.

Convertible Debentures

The Convertible Debentures will be issued under and governed by the Debenture Indenture to be entered into between the Company and Odyssey Trust Company, as debenture trustee (the "**Trustee**"). The aggregate principal amount of the Convertible Debentures authorized for issue will be limited to the aggregate principal amount of $57,500,000 (including Convertible Debentures issuable upon exercise of the Over-Allotment Option). The Convertible Debentures will be dated as at the Closing Date and will be issuable only in denominations of $1,000 and integral multiples thereof.

The Convertible Debentures will mature on the Maturity Date. The Convertible Debentures will bear interest from the date of issue at 9.5% per annum, which will be payable semi-annually in arrears on June 30 and December 31 in each year (the "**Interest Payment Dates**"), commencing on June 30, 2019. The principal amount of the Convertible Debentures and interest accrued thereon will be payable in lawful money of Canada.

The Convertible Debentures will rank *pari passu* in right of payment of principal and interest with all other Convertible Debentures issued under the Offering. The Convertible Debentures will be direct obligations of the Company and will not be secured by any mortgage, pledge, hypothec or other charge.

The Convertible Debentures will not be convertible in the United States or by or on behalf of a U.S. Person, nor will the Conversion Shares issuable upon conversion of the Convertible Debentures be registered in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities law is available.

Payments

Payments of interest and principal on the Convertible Debentures will be made to CDS or its nominee, as the case may be, as the registered holder of the Convertible Debentures. As long as CDS is the registered holder of the Convertible Debentures, CDS or its nominee will be considered the sole legal owner of the Convertible Debentures for the purposes of receiving payments of interest and principal on the Convertible Debentures and for all other purposes under the Debenture Indenture and the Convertible Debentures. The record date for the payment of interest will be the last business day (a business day being a day on which banking institutions are open in the City of Toronto, Ontario) of the month preceding the month of the applicable Interest Payment Date. Interest payments on Convertible Debentures will be made by electronic funds transfer on the Interest Payment Date and delivered to CDS or its nominee, as the case may be.

The Company understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of the Convertible Debentures, will credit Participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Convertible Debentures as shown in the records of CDS or its nominee.

The Company also understands that payments of interest and principal by Participants to owners of beneficial interest in such Convertible Debentures held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The responsibility and liability of the Company in respect of payments on the Convertible Debentures represented by the Convertible Debenture is limited solely and exclusively to making payment of any interest and principal due on such Convertible Debenture to CDS or its nominee. If Convertible Debenture Certificate (as defined below) are issued instead of or in place of the Convertible Debentures, payments of interest on each Convertible Debenture Certificate will be made by electronic funds transfer, if agreed to by the holder of the Convertible Debenture Certificate, or by cheque dated the applicable Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Convertible Debentures, at the close of business on the last business day of the month preceding the month of the applicable Interest Payment Date.

Conversion Privilege

The Principal Amount of each Convertible Debenture will be convertible for no additional consideration, at the holder's option, into fully paid, non-assessable and freely-tradeable Conversion Shares (each a "**Conversion Share**"), in Canada at any time prior to 5:00 p.m. (Eastern time) at any time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures upon a Change of Control (as defined below).

Subject to the provisions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the distribution of Common Shares or securities convertible into Common Shares by way of stock dividend or distribution; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares in certain circumstances; and (iv) the distribution to all or substantially all of the holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

Change of Control

Upon a Change of Control of the Company, holders of the Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "**Offer Price**"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

For the purposes hereof, a "**Change of Control**" means: (i) any event as a result of or following which any person, or group of persons "acting jointly or in concert" within the meaning of applicable Canadian securities laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Company. A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity.

Mandatory Conversion

The Company may force the conversion of the Principal Amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the CSE be greater than $3.51 for the consecutive 20 trading days of the Common Shares on the CSE preceding such notice.

Payment Upon Maturity

At maturity, the Company will repay the indebtedness represented by the Convertible Debentures then outstanding by paying to the Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Convertible Debentures which are to be redeemed or which have matured, together with all accrued and unpaid interest thereon, less any tax required by law to be deducted.

Offers for Convertible Debentures

The Debenture Indenture will contain provisions to the effect that if an offer is made for all the Convertible Debentures (other than Convertible Debentures held by or on behalf of the offeror or associates or affiliates of the offeror) and the offer is accepted by the beneficial holders of at least 90% of the outstanding principal amount of the Convertible Debentures other than the offeror's Convertible Debentures and the offeror takes up and pays for the Convertible Debentures of the holders who accepted the offer and the offeror complies with certain provisions of the Debenture Indenture, the offeror will be entitled to acquire the Convertible Debentures held by the holders of the Convertible Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Convertible Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all holders of the Convertible Debentures resolutions passed at meetings of the holders of the Convertible Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Convertible Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Convertible Debentures. In certain cases, the modification will, instead of or in addition to such approval, require assent by the holders of the required percentage of the Convertible Debentures of each particularly affected series.

The foregoing is a summary of all of the material provisions of the Debenture Indenture, it does not purport to be complete and is qualified in its entirety by reference to the provisions of the Debenture Indenture in the form to be agreed upon by the parties.

Book-Entry System for Convertible Debentures

The Convertible Debentures will be issued in "book-entry only" form and must be purchased or transferred through a Participant. On the closing of the Offering, the Trustee will cause the Convertible Debentures to be delivered to CDS and registered in the name of its nominee. It is anticipated that the Convertible Debentures will be deposited electronically with CDS or its nominees. Registration of interests in and transfers of the Convertible Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Convertible Debentures (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant.

Such purchaser will receive a confirmation of purchase from the Agents or other registered dealer from whom Convertible Debentures are purchased.

Neither the Company nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Convertible Debentures held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Convertible Debentures; or (iii) any advice or representation made by or with respect to CDS and contained in this Prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Convertible Debentures paid by or on behalf of the Company to CDS.

As indirect holders of Convertible Debentures, investors should be aware that they (subject to the situations described below): (i) may not have Convertible Debentures registered in their name; (ii) may not have physical certificates representing their interest in the Convertible Debentures; (iii) may not be able to sell the Convertible Debentures to institutions required by law to hold physical certificates for securities they own; and (iv) may be unable to pledge Convertible Debentures as security.

The Convertible Debentures will be issued to Beneficial Owners in fully registered and certificate form (the "**Convertible Debenture Certificates**") only if: (i) they are required to be so issued by applicable law; (ii) the book-entry only system ceases to exist; (iii) the Company or CDS advises the Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depositary with respect to the Convertible Debentures and the Company is unable to locate a qualified successor; (iv) the Company, at its option, decides to terminate the book-entry only system through CDS; or (v) after the occurrence of an Event of Default, Participants acting on behalf of Beneficial Owners representing, in the aggregate, not less than 50% of the aggregate principal amount of the Convertible Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, provided the Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph and receipt of a written notice from the Company confirming such event has occurred, the Convertible Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability of Convertible Debenture Certificates. Upon receipt of instructions from CDS for the new registrations, the Trustee will deliver the Convertible Debentures in the form of Convertible Debenture Certificates and thereafter the Company will recognize the holders of such Convertible Debenture Certificates as Convertible Debenture holders under the Debenture Indenture. Interest on the Convertible Debentures will be paid directly to CDS while the book-entry only system is in effect. If Convertible Debenture Certificates are issued, interest will be paid by cheque drawn on the Company and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal and premium and the interest due at maturity, will be paid directly to CDS while the book-entry only system is in effect. If Convertible Debenture Certificates are issued, payment of principal and premium, if any, and interest due at maturity, will be paid upon surrender thereof at any office of the Trustee or as otherwise specified in the Debenture Indenture.

Warrants

Each Warrant will be transferable and will entitle the holder thereof to acquire one Warrant Share at a price of $2.60 per Warrant Share at any time prior to 5:00 p.m. (Eastern time) at any time up to 36 months following the Closing Date, subject to adjustment in certain customary events, after which time the Warrants will expire.

The Warrants will be issued under and governed by the Warrant Indenture to be entered into on the Closing Date between the Company and Odyssey Trust Company, as warrant agent. The Company will appoint the principal transfer office of Odyssey Trust Company in Calgary, Alberta as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Under the Warrant Indenture, the Company may, subject to applicable law, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or Exercise Price per Warrant Share in the event of the following additional events: (i) reclassifications of the Common Shares; (ii) consolidations, amalgamations, arrangements or mergers of the Company with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or (iii) the transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares issuable upon exercise by at least one one-hundredth of a Warrant Share, as the case may be.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to Odyssey Trust Company and to the holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date of such event, if any.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants and no cash or other consideration will be paid in lieu of fractional Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Company may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Warrants, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the holders of Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing of at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of the holders of Warrants present in person or by proxy shall form a quorum) and passed by the affirmative vote of the holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants.

The foregoing is a summary of all of the material provisions of the Warrant Indenture, it does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture in the form to be agreed upon by the parties.

The Warrants may not be exercised in the United States, or by or for the account of a U.S. Person or a person in the United States except pursuant to exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws, and the holder has delivered to the Company a written opinion of counsel, in form and substance satisfactory to the Company; provided, however, that an Institutional Accredited Investor that purchased the Warrants from the Company pursuant to Rule 506(b) under Regulation D of the U.S. Securities Act

for its own account, or for the account of another Institutional Accredited Investor for which it exercised sole investment discretion with respect to such original purchase (a "**506(b) Original Beneficial Purchaser**") will not be required to deliver an opinion of counsel if it exercises the Warrants for its own account or for the account of the 506(b) Original Beneficial Purchaser, if any, if each of it and such 506(b) Original Beneficial Purchaser, if any, was an Institutional Accredited Investor at the time of its purchase and exercise of the Warrants.

Conversion Shares and Warrant Shares

The holders of the Conversion Shares and Warrant Shares of the Company, essentially Common Shares issued upon conversion of Convertible Debentures and Warrants, respectively, are entitled, as holders of Common Shares, to receive notice of and to attend all meetings of the shareholders of the Company and have one vote for each Common Share held at all meetings of the shareholders of the Company.

All of such Common Shares rank equally within their class as to dividends, voting rights, participation in assets and in all other respects. None of such Common Shares are subject to any call or assessment nor pre-emptive or conversion rights.

Any modification, amendment or variation of any rights or other terms attached to the Common Shares would require special resolutions passed by the shareholders of the Company.

The Convertible Debentures and the Warrants comprising the Debenture Units offered hereby and the Conversion Shares issuable upon conversion of the Convertible Debentures and the Warrant Shares issuable upon exercise of the Warrants, in each instance issued to, or for the account or benefit of, persons in the United States or U.S. Persons, will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Certificates issued representing such securities (if any) may bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable U.S. state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

The Conversion Shares issuable upon conversion of the Convertible Debentures and the Warrant Shares issuable upon exercise of the Warrants have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States. The Conversion Shares and Warrant Shares, if any, will not be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws is available and provided that, subject to certain exceptions, the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company.

Broker Warrants

As additional consideration for the services rendered in connection with the Offering, the Company has agreed to issue to the Agents such number of Broker Warrants as is equal to 3.5% of: (i) the number of Common Shares issuable upon conversion of the Convertible Debentures; plus (ii) the number of Common Shares issuable upon exercise of the Warrants (in both cases including any gross proceeds raised on the exercise of the Over-Allotment Option). Each Broker Warrant will entitle the holder thereof to acquire one Broker Share at an exercise price of $2.60 per Broker Share for a period of 36 months following the Closing Date, subject to customary adjustments in certain events.

The certificates representing the Broker Warrants will provide for standard adjustments in the number of Broker Shares issuable upon the exercise of the Broker Warrants and/or the exercise price per Broker Warrant subject to a Broker Warrant upon the occurrence of certain events, including if the Company: (i) subdivides, re-divides or changes its outstanding Common Shares into a greater number of Common Shares; (ii) consolidates, reduces or combines its outstanding Common Shares into a smaller number of Common Shares; or (iii) fixes a record date for the issue of Common Shares or securities convertible into or exchangeable for Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend (other than the issue of Common Shares or convertible securities to such holders as dividends paid in the ordinary course and other than rights, options or Warrants exercisable within a period expiring not more than 45 days after the record date for such issue to acquire Common Shares or securities exchangeable for or convertible into Common Shares at a price per Common

Share, or at an exchange or conversion price per Common Share, of at least 95% of the current market price of the Common Shares on such record date).

Holders of Broker Warrants will not have any voting or any other rights which a holder of Common Shares would have.

The Broker Warrants and the Broker Shares have not been and will not be registered under the U.S. Securities Act, and the Broker Warrants may not be exercised in the United States or by, or for the account or benefit of, any U.S. Person or person in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act.

PRIOR SALES

The following tables set forth details regarding issuances of Common Shares and issuances of securities convertible into or exchangeable, redeemable or exercisable for Common Shares during the 12-month period before the date of this Prospectus:

Date	Type of Security	Number of Securities	Issuance/Exercise Price per Security
March 5, 2018	Common Shares	33,955,124	$0.005
March 5, 2018	Common Shares	66,044,776	$0.02
March 7, 2018[(1)]	Stock Options	6,575,000	$0.20
March 12, 2018	Common Shares	31,048,058	$0.85
March 14, 2018	Common Shares	8,417,881	$0.85
April 23, 2018	Common Shares	1,313,261	$0.85
April 23, 2018	Common Shares	25,000	$0.85
June 1, 2018[(1)]	Stock Options	1,340,000	$0.85
August 14, 2018	Common Shares	18,052,909	$2.00
August 20, 2018	Common Shares	1,197,221	$2.00
September 20, 2018	Common Shares	1,475	N/A
September 20, 2018	Common Shares	2,900,820	US$1.50
September 20, 2018	Common Shares	280,012	N/A
September 20, 2018	Subscription Receipts	6,550,867	US$1.50
September 21, 2018	Common Shares	133,331	US$1.50
September 21, 2018	Common Shares	6,417,536	US$1.50
October 9, 2018[(2)]	Stock Options	4,375,000	$2.60
November 2, 2018[(3)]	Common Shares	437,500	$0.20
November 9, 2018[(4)]	Common Shares	4,000,000	$2.60

Notes:

(1) Granted by CNX and exchanged for options of the Company exercisable on the same terms and conditions upon closing of the Transaction.

(2) Granted by the Company.

(3) Issued upon exercise of certain stock options granted on March 7, 2018.

(4) Issued in connection with the NLVO Transaction.

TRADING PRICE AND VOLUME

Canadian Marketplace

Prior to July 2018, the Common Shares of the Company were listed on the TSXV under the symbol "THH". The Common Shares of the Company were halted from trading between June 29, 2018 and the Company's delisting from the TSXV. On October 10, 2018, the Common Shares of the Company commenced trading with the CSE under the symbol "FONE".

The following table sets forth information relating to the trading of the Common Shares of the Company on the TSXV from March 1, 2018 until October 9, 2018 and on the CSE from October 10, 2018 until March 31, 2019:

Month	High ($)	Low ($)	Volume
2018			
March	0.08	0.075	60,875
April	0.08	0.07	99,500
May	0.08	0.07	81,500
June	0.085	0.075	38,500
July	-	-	-
August	-	-	-
September	-	-	-
October[(1)]	2.00	1.07	20,756,470
November	1.83	1.36	3,669,790
December	1.55	1.25	2,256,195
2019			
January	1.57	1.35	3,149,169
February	2.47	1.48	8,662,339
March	2.98	2.44	1,162,570

Notes:
(1) For the period from October 10, 2018, the date on which the Common Shares commenced trading on the CSE.

Foreign Marketplace

On November 6, 2018, the Company's Common Shares commenced trading in the United Stated on the OTCQB under the symbol "FLOOF".

The following table sets out trading information for the Common Shares on the OTCQB from November 6, 2018 up to the date of this Prospectus:

Month	High (US$)	Low (US $)	Volume
2018			
November	1.45	1.02	998,531
December	1.20	0.91	427,636
2019			
January	1.17	1.01	856,346
February	1.87	1.14	3,662,314
March	2.18	1.84	394,550

EXECUTIVE COMPENSATION

The following table sets forth the anticipated compensation paid or awarded to the directors and the following executive officers of the Company: (i) the President and Chief Executive Officer; (ii) the Chief Financial Officer; (iii) the Corporate Secretary; and (iii) Directors:

Table of Compensation Excluding Compensation Securities							
Name & position	**Year**	**Salary, Consulting Fee, Retainer or Commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of Perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Ken Villazor, President, CEO and Director	2018	250,000[(1)]	Nil	Nil	146,250[(2(4))]	Nil	396,250
Geoff Miachika, CFO	2018	135,000	Nil	Nil	538,750[(3)(4)]	Nil	673,750
Jean St. Martin, Corporate Secretary	2018	Nil	Nil	Nil	139,500[(2(4)]	Nil	139,500
Amit Varma, Director	2018	Nil	Nil	Nil	391,650[(2)(4)]	Nil	391,650
David Wesley, Director	2018	Nil	Nil	Nil	391,650[(2)(4)]	Nil	391,650
Warner Fong, Director	2018	Nil	Nil	Nil	391,650 [(2)(4)]	Nil	391,650

Notes:

(1) Base salary compensation for executive officer position

(2) Option values have been determined using the Black Scholes model. Key assumptions include a grant date share price of C$0.02, exercise price of C$0.20, expected term of 5 years, discount rate of 2.04%, volatility of 100% and nil rate of dividends.

(3) Option values have been determined using the Black Scholes model. Key assumptions include a grant date share price of C$0.85, exercise price of C$0.85, expected term of 5 years, discount rate of 2.11%, volatility of 100% and nil rate of dividends.

(4) Option values have been determined using the Black Scholes model. Key assumptions include a grant date share price of C$2.00, exercise price of C$2.60, expected term of 5 years, discount rate of 2.45%, volatility of 100% and nil rate of dividends.

Termination and Change of Control Benefits

Other than disclosed herein, the Company will not have any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer ("**NEO**") at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities.

The Company has an employment agreement with Mr. Villazor that will pay in lieu of notice, 2 weeks salary plus one months' salary for every completed year of service (minimum of 6 months), upon termination without cause. Additionally, upon change of control, Mr. Villazor is entitled to 2 weeks salary plus one months' salary for every completed year of service, or 12-month salary, whichever is greater.

The Company has an employment agreement with Mr. Miachika that will pay in lieu of notice, 2 weeks salary plus one months' salary for every completed year of service (minimum of 6 months), upon termination without cause. Additionally, upon change of control, Mr. Miachika is entitled to 2 weeks salary plus one months' salary for every completed year of service, or 12-month salary, whichever is greater.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of each of the Company, the following persons will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company:

Name, Jurisdiction of Residence	Number of Shares	Class of Shares	Ownership	Percentage of the Company's Issued and Outstanding Common Shares
Southlands Family Trust (Vancouver, Canada)	36,000,000	Common Shares	Beneficial and of Record	20.4%
Yaletown Family Trust (Vancouver, Canada)	36,000,000	Common Shares	Beneficial and of Record	20.4%

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to the Agents, the following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to: (i) an investor (the "**Initial Purchaser**") who acquires as beneficial owner pursuant to this Offering the Convertible Debentures and Warrants which comprise the Debenture Units; (ii) an Initial Purchaser who acquires Warrant Shares on the exercise of such Warrants; and (iii) an Initial Purchaser who acquires Conversion Shares as a result of converting such Convertible Debentures (the Convertible Debentures, the Warrants, the Warrant Shares, and the Conversion Shares, collectively referred to as "**Securities**"), and who, for the purposes of the application of the Tax Act and at all relevant times: (a) deals at arm's length with the Company and the Agents; (b) is not affiliated with the Company or the Agents; and (c) holds any Securities as capital property. The Securities will generally be capital property to an Initial Purchaser unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade. An Initial Purchaser of Debenture Units meeting all such requirements is referred to as a "**Holder**" herein.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii), an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; (v) that has or will enter into a "derivative forward agreement", as that term is defined in the Tax Act, with respect to any Securities; or (vi) that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of any Securities, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to an investment in Debenture Units.

This summary is based upon the current provisions of the Tax Act in force as of the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal or any provincial, or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors with respect to their particular circumstances.

Acquisition of Debenture Units

Holders will be required to allocate on a reasonable basis their cost of each Debenture Unit between the Convertible Debenture and the Warrants in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Company intends to allocate $824.51 to each Convertible Debenture and $175.49 to the Warrants. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading "*Certain Canadian Federal Income Tax Considerations - Resident Holders - Capital Gains and Capital Losses*".

Resident Holders

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times ("**Resident Holders**"). Certain investors who are resident in Canada for purposes of the Tax Act and whose Warrant Shares or Conversion Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Warrant Shares, Conversion Shares and every other "Canadian security" as defined in the Tax Act, held by such persons, in the taxation year of the election and each subsequent taxation year to be capital property. This election will not apply to the Warrants. Investors should consult their own tax advisors regarding this election.

Interest on Convertible Debentures

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Convertible Debentures that accrues (or is deemed to accrue) to it to the end of the taxation year or that has become receivable by or is received by the Resident Holder before the end of that taxation year, including on a conversion, redemption or repayment at maturity, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual (other than a unit trust or trust of which a corporation or partnership is a beneficiary) will be required to include in computing income for a taxation year all interest on the Convertible Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), including on a conversion, redemption or repayment at maturity, except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Convertible Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Convertible Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Resident Holder's income for that year or a preceding year.

Where the Company satisfies interest by issuing Common Shares, the cost of the Common Shares so acquired by the Resident Holder should be equal to the fair market value of such shares. Generally the adjusted cost base to a Resident Holder of such Common Shares will be determined by averaging the cost of such shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at such time. Where the fair market value of the Common Shares received by a Resident Holder in satisfaction of the Company's obligation to pay interest on a Convertible Debenture is less than amount included in income by the Resident Holder in respect of that interest on the Convertible Debenture for a previous taxation year, the amount of the difference may generally be deducted by the Resident Holder in computing its income for taxation year in which the Resident Holder disposes of the Convertible Debenture subject to the detailed rules contained in the Tax Act in that regard.

A Resident Holder that throughout the year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional tax of 10⅔%, a portion of which may be refundable, on "aggregate investment income", (as defined in the Tax Act) which includes interest income.

It is likely that the portion of the purchase price that is allocated to a Convertible Debenture will be less than the principal amount of the Convertible Debenture. Such allocation may increase a Resident Holder's capital gain (or reduce its capital loss) on the disposition of the Convertible Debenture, including on repayment, redemption or conversion. Alternatively, the Resident Holder may be required to include in its income, an additional amount equal to the difference between the portion of the purchase price allocated to the Convertible Debenture and its principal amount ("**Discount**") either in one or more taxation years in which the Discount accrues or in a taxation year in which the Discount is received or receivable by the Resident Holder. Resident Holders should consult their own tax advisors in this regard.

Any amount paid by the Company to a Resident Holder as a penalty or bonus because of the repayment of all or part of the principal amount of a Convertible Debenture before its maturity will be deemed to be received by the Resident Holder as interest on the Convertible Debenture at that time and will be required to be included in computing the Resident Holder's income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that, but for the repayment, would have been paid or payable by the Company on the Convertible Debenture for a taxation year of the Company ending after that time.

Conversion of Convertible Debentures

Generally, a Resident Holder who converts a Convertible Debenture into Conversion Shares (or Conversion Shares and cash delivered in lieu of a fraction of a Conversion Share) pursuant to the conversion privilege under the terms of the Convertible Debenture (including pursuant to a mandatory conversion) will be deemed not to have disposed of the Convertible Debenture and, accordingly, will not recognize a capital gain (or capital loss) upon such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Convertible Debenture, receives cash not in excess of $200 in lieu of a fraction of a Conversion Share may either treat this amount as proceeds of disposition of a portion of the Convertible Debenture, thereby recognizing a capital gain (or capital loss), or reduce the adjusted cost base of the Conversion Shares that the Resident Holder receives on the conversion by the amount of the cash received.

Upon a conversion of a Convertible Debenture, interest accrued thereon, to the extent not otherwise previously included in income, will be included in computing the income of the Resident Holder as described above under "*Certain Canadian Federal Income Tax Considerations - Resident Holders - Interest on Convertible Debentures*".

The aggregate cost to a Resident Holder of the Conversion Shares acquired on the conversion of a Convertible Debenture into Conversion Shares (or Conversion Shares and cash delivered in lieu of a fraction of a Conversion Shares) will generally be equal to the aggregate of the Resident Holder's adjusted cost base of the Convertible Debenture immediately before the conversion, minus any reduction of adjusted cost base for fractional shares as discussed above. The adjusted cost base to a Resident Holder of Conversion Shares at any time will be determined by averaging the cost of such Conversion Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

If on a conversion of a Convertible Debenture under its terms a Resident Holder receives consideration wholly or in part in the form of cash (other than cash delivered in lieu of fractional shares as described above), the Resident Holder will be considered to have disposed of the Convertible Debentures for the purposes of the Tax Act. See "*Certain Canadian Federal Income Tax Considerations - Resident Holders - Disposition of Convertible Debentures*".

Disposition of Convertible Debentures

On a disposition or deemed disposition of a Convertible Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Convertible Debenture into Conversion Shares pursuant to the Resident Holder's right of conversion described above, a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the

amount of interest that has accrued on the Convertible Debenture to that time, except to the extent that such interest has otherwise been included in the Resident Holder's income for the year or a preceding taxation year.

Such disposition or deemed disposition of a Convertible Debenture by a Resident Holder will also generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (net of any amount otherwise required to be included in the Resident Holder's income as interest), are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment under "*Certain Canadian Federal Income Tax Considerations - Resident Holders - Capital Gains and Capital Losses*".

Disposition of Warrants, Warrant Shares, Conversion Shares and Common Shares

On a disposition or deemed disposition of a Warrant by a Resident Holder, not including the exercise of a Warrant into a Warrant Share pursuant to the Resident Holder's right of exercise described above, Warrant Share, Conversion Share, or Common Share, a capital gain (or capital loss) will generally be realized by a Resident Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Warrant, Warrant Share, Conversion Share or Common Share, as the case may be, to the Resident Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under "*Certain Canadian Federal Income Tax Considerations - Resident Holders - Capital Gains and Capital Losses*".

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares (including the Conversion Shares and the Warrant Shares) will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced dividend tax credit in respect of "eligible dividends", if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act.

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

A Resident Holder that is a "private corporation" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay an additional refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares (including the Conversion Shares and the Warrant Shares) to the extent such dividends are deductible in computing taxable income.

Capital Gains and Capital Losses

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

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstance specified by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns

Shares, directly or indirectly, through a partnership or trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year which will include taxable capital gains.

Minimum Tax

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

Non-Resident Holders

The following discussion applies to Holder who, at all relevant times, for purposes of the Tax Act, (i) is neither resident or deemed to be resident in Canada; (ii) does not, and is not deemed to, use or hold the Securities in, or in the course of carrying, a business carried on in Canada; (iii) is entitled to receive all payments (including principal and interest) made on a Convertible Debenture; (iv) deals at arm's length with any person or partnership who is a resident or deemed to be a resident in Canada to whom the Holder assigns or otherwise transfers a Convertible Debenture; (v) is not a person who carries on an insurance business in Canada or elsewhere; and (vi) is neither a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of the Company nor any person who does not deal at arm's length with a specified shareholders of the Company (a "**Non-Resident Holder**")

Interest on Convertible Debentures

A Non-Resident Holder will not be subject to Canadian income or withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Company as, on account or in lieu of, or in satisfaction of, interest or principal on the Convertible Debentures, except as described below. See "*Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada - Disposition of Securities*" and "*Risk Factors — Convertible Debentures may be Subject to Withholding Tax and Participating Debt Interest*".

Conversion of Convertible Debentures

The conversion of a Convertible Debenture into Conversion Shares (or Conversion Shares and cash delivered in lieu of a fraction of a Conversion Share) on the exercise of a conversion privilege under the terms of the Convertible Debenture (including pursuant to a mandatory conversion) by a Non-Resident Holder will generally be deemed not to constitute a disposition of the Convertible Debenture and, accordingly, a Non-Resident Holder will not recognize a gain (or loss) on such conversion.

Upon the conversion of a Convertible Debenture into Conversion Shares (or Conversion Shares and cash delivered in lieu of a fraction of a Conversion Share), any payment representing interest accrued from the most recent Interest Payment Date to the date of conversion will be subject to the Canadian federal income tax considerations described above under "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada –Interest on Convertible Debentures*".

In the event that a Convertible Debenture is converted into Conversion Shares (or Conversion Shares and cash in lieu of a fraction of a Conversion Share) for an amount which exceeds the issue price thereof, all or a portion of such excess should not be subject to Canadian withholding tax. See "*Risk Factors — Convertible Debentures may be Subject to Withholding Tax and Participating Debt Interest*".

If on a conversion of a Convertible Debenture under its terms a Non-Resident Holder receives consideration wholly or in part in the form of cash (other than cash delivered in lieu of fractional shares as described above in under "*Certain Canadian Federal Income Tax Considerations — Holders Resident in Canada –Conversion of Convertible Debentures*"), the Non-Resident Holder will be considered to have disposed of the Convertible Debentures for the purposes of the Tax Act. See "*Certain Canadian Federal Income Tax Considerations –Holders Not Resident in Canada – Disposition of Securities*".

Disposition of Securities

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Security, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Security constitutes "taxable Canadian property" to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Security generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, the Security may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

Even if a Security is "taxable Canadian property" to a Non-Resident Holder, such Non-Resident Holder may be exempt from tax under the Tax Act on the disposition of such Security by virtue of an applicable income tax treaty or convention.

A Non-Resident Holder's capital gain (or capital loss) in respect of a Security that constitutes or is deemed to constitute taxable Canadian property (and is not exempt from tax under an applicable income tax treaty or convention) will generally be computed in the manner described above under the subheading "*Certain Canadian Federal Income Tax Considerations - Resident Holders – Disposition of Convertible Debentures*" and "*Certain Canadian Federal Income Tax Considerations - Resident Holders – Disposition of Warrants, Warrant Shares, Conversion Shares and Common Shares"*.

Non-Resident Holders whose Securities are taxable Canadian property should consult their own tax advisors.

Dividends on Common Shares

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder on the Warrant Shares or Conversion Shares by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend, unless such rate is reduced by the terms of an applicable tax treaty. Under the Canada-United States Tax Convention (1980) (the "**Treaty**") as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a "**U.S. Holder**") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company's voting shares). Non-Resident Holders should consult their own tax advisors.

INTERESTS OF EXPERTS

Certain legal matters in connection with the Offering will be passed upon on behalf of the Company by Fasken Martineau Du Moulin LLP and Kaempfer Crowell, and on behalf of the Agents by Wildeboer Dellelce LLP. Other than as set forth herein, as of the date hereof, the designated professionals of Fasken Martineau Du Moulin LLP, as a group, the designated professionals of Kaempfer Crowell, as a group, and the designated professionals of Wildeboer Dellelce LLP, as a group, each beneficially own, directly or indirectly, less than 1% of the securities of the Company.

RISK FACTORS

An investment in the Company is speculative and involves a high degree of risk due to the nature of the Company's business. The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements contained herein. Prospective investors should carefully consider the following risk factors along with the other matters set out herein:

Risks Related to the United States Regulatory Regime

Marijuana is illegal under U.S. federal law

The cultivation, manufacture, distribution, and possession of marijuana is illegal under U.S. federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Accordingly, federal law applies even in those states in which the use of marijuana has been legalized. Enforcement of federal law regarding marijuana would harm Flower One's business, prospects, results of operation, and financial condition.

Under the *Controlled Substances Act*, 21 U.S.C. (the "CSA"), § 801 et seq., it is a felony to manufacture, distribute, dispense or possess with intent to manufacture, distribute or dispense a controlled substance, including marijuana (a Schedule I drug under the CSA); to use a communication facility, which includes the mail, telephone, wire, radio, and all other means of communication, to cause or facilitate a violation of the CSA; and to place an advertisement knowing that the advertisement is intended to offer to sell or buy marijuana, or to use the internet to advertise the sale of marijuana. It is also a federal misdemeanor to knowingly or intentionally possess marijuana and a felony to attempt or conspire to violate the CSA. The CSA does not apply to conduct that takes place entirely outside the United States if the conduct involves cannabis that never reaches, and is never intended to reach, the United States.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, Flower One may be deemed to be aiding and abetting illegal activities. Its subsidiaries plan to manufacture and/or distribute medical and adult-use cannabis. 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 Flower One or its subsidiaries, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the U.S. Department of Justice, under the current administration, could allege that Flower One has "aided and abetted" violations of federal law by providing financing and services to its subsidiaries. Under these circumstances, the federal prosecutor could seek to seize the assets of Flower One, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, Flower One's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on Flower One.

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-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Participating in transactions involving proceeds derived from cannabis may constitute criminal money laundering. It is a federal crime to engage in certain transactions involving the proceeds of "Specified Unlawful Activities" ("**SUA**") when those transactions are designed to promote an underlying SUA, or conceal the source of the funds. Violations of the CSA and violations of a foreign state's laws are both SUA. It is a federal crime in the United States to engage in an international transaction into or out of the United States if the transaction is intended to

promote an SUA, irrespective of the source of the funds. It is a federal crime to engage in a transaction in property worth greater $10,000 knowing that the property is derived from a SUA. In the event that any of Flower One'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 of the United States or any other applicable legislation. This could restrict or otherwise jeopardize the ability of Flower One to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada and other foreign jurisdictions from the United States.

Violations of federal law could result in significant fines, penalties, administrative sanctions, criminal prosecution, including arrest, pre-trial incarceration, and sentences including monetary fines or incarceration, disgorgement of profits, cessation of business activities or divestiture, and forfeiture of real and personal property. The federal government can seek, (i) civil forfeiture of property involved in or traceable to certain crimes, including money laundering and violations of the CSA; and (ii) prosecution of Flower One's employees, directors, officers, managers and investors for criminal violations of the CSA, federal money laundering laws, or the Travel Act. Even when the government does not bring criminal charges, it may use the threat of an investigation or charges to incentivize civil settlements. This could have a material adverse effect on Flower One, including its reputation and ability to conduct business, its holding (directly or indirectly) of 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 Common Shares. It is difficult to estimate the time or resources needed to respond to a government investigation or prosecution of such matters without knowing the nature and extent of any information requested by the applicable authorities involved. Such time or resources could be substantial.

One legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision, the Rohrabacher-Leahy Amendment 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. Since October 1, 2017, the U.S. federal government has been temporarily appropriated under a series of continuing budget resolutions. In September 2018, Congress passed the Continuing Appropriations Act, 2019 which extends the deadline of the March 2018 omnibus spending bill until December 7, 2018. Following the expiration of the continuing resolution on December 7, 2018, Congress failed to agree upon an appropriations bill, and the United States government entered a partial shutdown. The Rohrabacher-Leahy Amendment was no longer in effect during the partial shutdown. The partial shutdown ended on January 25, 2019 when Congress passed an appropriations bill funding the United States government through February 15, 2019, including language similar to the Rohrabacher Leahy Amendment, now referred to as the Joyce/Leahy Amendment. The Joyce/Leahy Amendment language was included in base appropriations bill for fiscal year 2019. On February 15, 2019, the U.S. Congress passed an omnibus spending bill (including the Joyce/Leahy Amendment) which will be in effect through September 30, 2019. Accordingly, the language is no longer an "amendment," and is now part of base appropriations. Notably, the safeguard described above has always applied only to medical cannabis programs, and have no effect on pursuit of recreational cannabis activities. There can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon Flower One or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Flower One, even if such proceedings were concluded successfully in favour of Flower One.

U.S. Customs and Border Protection ("**CBP**") enforces the laws of the United States. Crossing the border while in violation of the CSA and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the *Immigration and Nationality Act* to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in Flower One, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission. See "*Risk Factors - Foreign investors in Flower One and its directors, officers, and employees may be subject to entry bans into the United States*".

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

As a result of the conflict of laws that currently exists between U.S. federal law and the laws of a number of U.S. states regarding cannabis, investments in cannabis business in the United States are subject to inconsistent laws and

regulation. A framework for managing the tension between federal and state cannabis laws was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum (the "**Cole Memo**"). The Cole Memo was addressed to all US Attorneys acknowledging that, notwithstanding the designation of cannabis as a Schedule I controlled substance under the CSA, several U.S. states have enacted laws relating to cannabis for medical and adult-use purposes. The Cole Memo offered guidance to federal enforcement agencies as how to prioritize civil enforcement, criminal investigations, and prosecutions regarding cannabis in all states. In particular, the Cole Memo 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. In light of limited investigative and prosecutorial resources, the Cole Memo generally directed U.S. Attorneys not to enforce federal marijuana laws against actors who are compliant with state law, provided that certain enumerated enforcement priorities are not implicated.

On January 4, 2018, the then U.S. Attorney General Jeff Sessions issued a memorandum to U.S. Attorneys which rescinded the Cole Memo and the 2014 Cole Memo. With the Cole Memo and the 2014 Cole Memo rescinded, U.S. federal prosecutors have full authority exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the United States. The potential impact of the decision to rescind the Cole Memo is unknown and may have a material adverse effect on the Flower One's business and results of operations.

In February 2017, the Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States. Names of those serving on the task force have not been published, and the group was supposed to deliver its recommendations by July 27, 2017. The recommendations of the group were not made public on that date, but the then Attorney General issued a public statement which said he had received recommendations "on a rolling basis" and he had already "been acting on the task force's recommendations to set the policy of the department." Based on previous public statements made by the then Attorney General, there had been some expectation that the task force may make some recommendations with respect to laws relating to cannabis. However, to date there has been no public announcement in this regard from the previous or current Attorney General.

Former U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was replaced by Matthew Whitaker as interim Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry.

Marijuana is strictly regulated in those states which have legalized it for medical or recreational use

Currently, there are 33 U.S. states plus the District of Columbia, and the territories of Guam, Puerto Rico, the Northern Mariana Islands, and the U.S. Virgin Islands that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for marijuana and consumer use of marijuana in connection with medical treatment. Further, 10 U.S. states plus the Northern Mariana Islands have legalized recreational use of marijuana. Such U.S. states and territories impose substantial regulatory and licensing burdens on marijuana businesses. The legal and regulatory framework applicable to cannabis businesses is different in every state and territory. Obtaining a license or permit to grow, distribute, or dispense marijuana can be a difficult, costly, and lengthy process. Violations of a state's legal and regulatory framework can result in revocation of licenses, civil penalties, and other punishments. No assurance can be given that Flower One will receive the requisite licenses, permits, or cards to operate its businesses.

Local laws and ordinances could restrict Flower One's business activity. Local governments may have the ability to limit or ban cannabis businesses from operating within their jurisdiction, or impose requirements in addition to those imposed by state law. Land use, zoning, local ordinances, and similar laws could be adopted or changed, which may have a material adverse effect on Flower One's business.

Flower One currently operates only in the State of Nevada, but may consider opportunities in other jurisdictions as deemed appropriate by management. Flower One is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. Other states may be in the process of reviewing such additional fees and

taxation, or may impose them in the future. This could have a material adverse effect upon the Flower One's business, results of operations, financial condition, or prospects.

Newly established legal regime

Flower One business activities will rely on newly established and/or developing laws and regulations in the state in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect Flower One's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or 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 industry may adversely affect the business and operations of Flower One, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Restricted access to banking

Flower One may have limited or no access to banking or other financial services in the United States. Federal money laundering statutes and regulations discourage financial institutions from working with marijuana businesses, regardless of whether marijuana is legal in the state in which the financial institution or its customers are located. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services, or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Federally chartered financial institutions are subject to federal regulation, including oversight by the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department. Because marijuana is illegal under federal law, financial institutions may subject themselves to federal civil or criminal liability for banking the proceeds of marijuana businesses, and there are relatively few financial institutions who provide banking services to marijuana businesses.

In February 2014, FinCEN issued guidance (the "**FinCEN Guidance**") to financial institutions providing banking services to cannabis businesses. The FinCEN Guidance was intended to "clarify *Bank Secrecy Act* ("**BSA**") expectations for financial institutions seeking to provide services to marijuana-related businesses", and "enhance the availability of financial services for, and the financial transparency of, marijuana-related businesses."[1] However, the guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. Department of Justice, FinCen or other federal regulators. Thus, most banks and other financial institutions in the United States 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. The current Secretary of the Treasury, Steven Mnuchin, has stated that the FinCEN Guidance is currently under review.

Financial institutions which do provide financial services to marijuana businesses may charge increased fees to or impose additional requirements on marijuana businesses. Some financial institutions refuse to process debit or credit card payments to marijuana businesses. Financial institutions which do process such transactions may also charge fees higher than those imposed on other businesses. The Company may experience increased costs, or decreased profits, as a result of its inability to accept debit or credit card payments, or as a result of increased fees it pays to the financial institutions processing such transactions.

Further, 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-remitter statute (18 U.S.C. § 1960) and the BSA. These statutes can impose criminal liability for engaging in certain financial and

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[1] Department of the Treasury Financial Crimes Enforcement Network. (2014). Guidance re: BSA Expectations Regarding Marijuana-Related Businesses (FIN-2014-G001). Retrieved from https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-relatedbusinesses.

monetary transactions with the proceeds of a SUA, 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.

Heightened scrutiny by Canadian and U.S. regulatory authorities

For the reasons set forth above, Flower One's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United Stated. 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 operate or invest in the United States or any other jurisdiction, in addition to those described herein.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.[2] The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS Clearing and Depository Services Inc. ("**CDS**") as it relates to issuers with cannabis-related activities in the United States. The 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 Common Shares to make and settle trades. In particular, Common Shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of the applicable stock exchange.

Foreign investors in Flower One and its directors, officers, and employees may be subject to entry bans into the United States

It is a federal crime to engage in interstate or foreign travel or commerce with the intent to distribute the proceeds of or promote a SUA. News media have reported that United States immigration authorities have increased scrutiny of people who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States.

Those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or 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 United States. 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, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP 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 the United States. States where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as Flower One), who are not U.S. citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. Accordingly, the Flower One's directors, officers or employees traveling to the United States for the benefit of the

[2] Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Retrieved from https://www.cds.ca/resource/en/249/.

Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to the Company's directors, officers or employees, then this may reduce our ability to manage our business effectively in the United States.

Constraints on marketing products

The development of Flower One's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The legal and regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Unfavorable tax treatment of cannabis businesses

Under Section 280E ("**Section 280E**") of the United States Internal Revenue Code of 1986 as amended, "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any state in which such trade or business is conducted.". This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Although the U.S. Internal Revenue Service issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants, and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation, processing, production and packaging operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Risk of civil asset forfeiture

United States federal law enforcement officials are empowered to seize property they allege has been involved in certain criminal activity. Because marijuana remains illegal under U.S. federal law, property owned by marijuana businesses could be subject to seizure and subsequent civil asset forfeiture by law enforcement, whether or not the owner is charged with a crime. Property can be seized and forfeited through criminal, civil, and administrative proceedings. Property owners seeking the return of their property must establish that the property was not involved in criminal activity, which can be a substantial burden.

Proceeds of crime statutes

Flower One is subject to a variety of laws and regulations domestically and in the United States relating to money laundering, financial recordkeeping, and proceeds of crime, including the BSA, as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of Flower One's license agreements in the United States are found to be illegal, proceeds of those licensing transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, 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.

Limited intellectual property protection

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, there may be occurrences or impediments that may reduce the value of any of the Company's intellectual property, including the following:

1. Flower One will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

2. Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products and as a result the Company may have to rely on goodwill associated with its trademarks, trade names and proprietary cannabis strains.

3. Flower One may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to Flower One, could subject Flower One to significant liabilities and other costs.

Flower One's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Lack of access to U.S. bankruptcy protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If Flower One were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Potential FDA regulation

Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the *Food, Drug and Cosmetics Act* of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If Flower One is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on Flower One's business, operating results and financial condition.

Legality of contracts

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

inability to enforce any of Flower One's contracts could have a material adverse effect on its business, operating results, financial condition, or prospects.

Risks Related to the Company

Limited operating history

As the Company has not yet begun to generate revenue and is in the process of completing the conversion of the NLV Greenhouse prior to planting its first commercial cannabis crop, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact that the Company intends to operate in the cannabis industry, which is rapidly transforming. There is no guarantee that the Company's products will be attractive to potential consumers or that the revenues generated from such products will meet the Company's projections.

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

The Company's ability to continue as a going concern will be dependent upon its ability to complete the NLV Greenhouse conversion and to generate revenue and achieve profitable operations. The Company's ability to do so will depend upon the completion of the NLV Greenhouse conversion on schedule and on budget, 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, may 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.

Actual 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.

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 the conversion of the NLV Greenhouse, and other infrastructure, as well as for growth and for regulatory compliance. These costs, particularly if they exceed budget amounts or if the Company cannot raise additional funds in a timely manner to bring the NLV Greenhouse into operation as it currently plans, 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, including unforeseen expenses, the delay of the NLV Greenhouse conversion, the delay or reduction in commercial cannabis crops, unforeseen reductions in the price of the Company's products due to changes in supply and demand, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Voting control

The Southlands Family Trust and the Yaletown Family Trust, each own approximately 20% of the Common Shares, and therefore exercise a significant portion of the voting power in respect of the outstanding Common Shares. As a

result, they are expected to have the ability to influence the outcome of all matters submitted to Flower One's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of Flower One.

This concentrated control could delay, defer, or prevent a change of control of Flower One, arrangement or amalgamation involving Flower One or sale of all or substantially all of the assets of Flower One that its other shareholders support. Conversely, this concentrated control could allow the holders of Common Shares to consummate such a transaction that Flower One's other shareholders do not support.

Flower One is a holding company

Flower One is a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in Flower One are subject to the risks attributable to its subsidiaries. As a holding company, Flower One conducts substantially all of its business through its subsidiaries, which generate or are expected to generate substantially all of its revenues. Consequently, Flower One's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Flower One. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of Flower One's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before Flower One.

Flower One's products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model Flower One can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in Flower One.

Shareholders and investors should further consider, among other factors, Flower One's prospects for success in light of the risks and uncertainties encountered by companies that, like Flower One, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of Flower One's business. Flower One may not successfully address these risks and uncertainties or successfully implement its operating strategies. If Flower One fails to do so, it could materially harm Flower One's business to the point of having to cease operations and could impair the value of the Common Shares to the point investors may lose their entire investment.

Flower One expects to commit significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and Flower One cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that Flower One may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require Flower One to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm Flower One's business, financial condition and results of operations.

Unfavourable publicity or consumer perception

Management of Flower One believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of Flower One's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier

research reports, findings or publicity could have a material adverse effect on the demand for Flower One's proposed products and the business, results of operations, financial condition and cash flows of Flower One. Flower One's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Flower One, the demand for Flower One's proposed products, and the business, results of operations, financial condition and cash flows of Flower One. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or Flower One's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Risks inherent in an agricultural business

Flower One's business involves the growing of recreational cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growing is expected to be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Energy costs

Flower One's cannabis cultivation and production operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of Flower One and its ability to operate profitably.

Reliance on key personnel

The Company's success has depended and continues to depend upon its ability to attract and retain key management and consultants. 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 currently receives the benefit of consultants who provide services to the Company under the Consulting Agreement. The termination of this agreement or the inability to access key personnel could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. The loss of any of the Company's senior management or key consultants and 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.

Reliance on a single jurisdiction

To date, the Company's activities and resources have been primarily focused within the State of Nevada. The Company expects to continue the focus on this state as it continues to review further expansion opportunities into other jurisdictions in the United States. Adverse changes or developments within Nevada could have a material and adverse effect on the Company's ability to continue producing cannabis, its business, financial condition and prospects.

Unknown environmental risks

There can be no assurance that Flower One will not encounter hazardous conditions at the site of the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of Flower One may be suspended. If Flower One receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of Flower One's resources to correct the condition. Such conditions could have a material impact on the investment returns of Flower One.

Security Risks

The business premises of Flower One's operating locations are targets for theft. While the Company has implemented security measures at its operating locations and continues to monitor and improve its security measures, its cultivation and processing facilities could be subject to break-ins, robberies and other breaches in security. If there is a breach in security and the Company falls victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

As Flower One's business may involve the movement and transfer of cash which is collected from its locations and deposited into financial institutions, there is a risk of theft or robbery during the transport of cash. The Company may engage a security firm to provide security in the transport and movement of large amounts of cash. While the Company has taken steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Flower One's products are recalled due to an alleged product defect or for any other reason, Flower One could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Flower One may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Flower One has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of Flower One's significant brands were subject to recall, the image of that brand and Flower One could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Flower One's products and could have a material adverse effect on the results of operations and financial condition of Flower One. Additionally, product recalls may lead to increased scrutiny of Flower One's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol ("**CBD**") and tetrahydrocannabinol ("**THC**") remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although Flower One believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Common Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Prospectus or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for Flower One's products with the potential to lead to a material adverse effect on Flower One's business, financial condition, results of operations or prospects.

Competition

Flower One will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than Flower One. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of Flower One.

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

Liquidity, financial resources and access to capital

A decline in the price of Common Shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of Common Shares could result in a reduction in the liquidity of Common Shares and a reduction in Flower One's ability to raise capital. Because a significant portion of Flower One's operations have been and are expected in future to be financed through the sale of equity securities, a decline in the price of Common Shares could be especially detrimental to Flower One's liquidity and its operations. Such reductions may force Flower One to reallocate funds from other planned uses and may have a significant negative effect on Flower One's business plan and operations, including its ability to repay outstanding obligations, to develop new products and continue its current operations. If Flower One's stock price declines, it can offer no assurance that Flower One will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If Flower One is unable to raise sufficient capital in the future, Flower One may not be able to have the resources to continue its normal operations.

Licenses

The Company's cannabis licenses are 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 the NDOT or any other licensing authority not grant, extend or renew any 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.

Future acquisitions or dispositions

The Company's business strategy contemplates future acquisitions and expansion of the Company's business activities. Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of Flower One's ongoing business; (ii) distraction of management; (iii) Flower One may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of Flower One's operations; and (vi) loss or reduction of control over certain of Flower One's assets. Additionally, Flower One may issue additional Common Shares in connection with such transactions, which would dilute a shareholder's holdings in Flower One.

The presence of one or more material liabilities of an acquired company that are unknown to Flower One at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of Flower One. A strategic transaction may result in a significant change in the nature of Flower One's business, operations and strategy. In addition, Flower One may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into Flower One's operations.

Insurance and uninsured risks

Flower One's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although Flower One intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. Flower One may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of Flower One is not generally available on acceptable terms. Flower One might also become subject to liability for pollution or other hazards which may not be insured against or which Flower One may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Flower One to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on key inputs, suppliers and skilled labour

The cannabis business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of Flower One. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Flower One might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Flower One in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of Flower One.

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

Flower One is reliant on third-party suppliers to develop and manufacture its products. Due to the uncertain regulatory landscape for regulating cannabis in the United States, the Flower One's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the operations of Flower One. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the business and operational results of Flower One.

Difficulty to forecast

Flower One must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the recreational cannabis industry in the states in which Flower One's business will operate. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of Flower One.

Management of growth

Flower One may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Flower One to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Flower One to deal with this growth may have a material adverse effect on Flower One's business, financial condition, results of operations and prospects.

Internal controls

Effective internal controls are necessary for Flower One to provide reliable financial reports and to help prevent fraud. Although Flower One has undertaken a number of procedures and implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on Flower One under Canadian securities law, Flower One cannot be certain that such measures will ensure that Flower One will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm Flower One's results of operations or cause

it to fail to meet its reporting obligations. If Flower One or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Flower One's consolidated financial statements and materially adversely affect the trading price of Common Shares.

Litigation

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

Product liability

Flower One faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of Flower One's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Flower One's products alone or in combination with other medications or substances could occur. Flower One may be subject to various product liability claims, including, among others, that Flower One's products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Flower One could result in increased costs, could adversely affect Flower One's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of Flower One. There can be no assurances that Flower One will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Flower One's potential products.

General economic risks

Flower One's operations could be affected by the economic context should unemployment, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact Flower One's sales and profitability.

Risks Related to the Offering and the Company's Securities

Completion of the Offering

The completion of the Offering remains subject to a number of conditions. There can be no certainty that the Offering will be completed. Failure by the Company to satisfy all of the conditions precedent to the Offering would result in the Offering not being completed. If the Offering is not completed, the Company may not be able to raise the funds required for the purposes contemplated under "*Use of Proceeds*" from other sources on commercially reasonable terms or at all.

Discretion in the Use of Proceeds

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

Inability to Satisfy Payments

The Convertible Debentures mature on the Maturity Date. There is no guarantee that the Company will have sufficient cash available to make interest payments or to repay the principal outstanding on the Convertible Debentures on a timely basis or at all. See "*Earnings Coverage Ratios*", which is relevant to an assessment of the risk that the Company may be unable to pay interest or principal on the Convertible Debentures when due.

Market for Warrants and Convertible Debentures

There is currently no market through which the Warrants and Convertible Debentures may be sold. There can be no assurance that an active or liquid market for the Warrants or Convertible Debentures will develop following the Offering, or if developed, that such market will be maintained. If an active public market does not develop or is not maintained, purchasers may not be able to resell the Convertible Debentures purchased under this Prospectus.

Redeeming on a Change of Control

The Company will be required to purchase all outstanding Convertible Debentures within thirty (30) days following the occurrence of a Change of Control upon a request made by the holders of the Convertible Debentures. However, it is possible that following a Change of Control, the Company will not have sufficient funds at that time to make the required purchase of outstanding Convertible Debentures or that restrictions contained in other indebtedness will restrict those purchases. The Company's failure to purchase the Convertible Debentures would constitute an Event of Default under the Debenture Indenture, which might constitute a default under the terms of the Company's other indebtedness, if any, at that time. See "*Description of Securities Being Distributed*".

Shareholder Rights

Holders of Convertible Debentures and Warrants will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that the Company's board of directors designates as payable to the holders of the Convertible Debentures), but if a holder of Convertible Debentures subsequently: (i) exercises its Warrants; or (ii) converts its Convertible Debentures, into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Company delivers Common Shares upon: (a) the exercising of a Warrant; or (b) the converting of a Convertible Debenture and, to a limited extent, under the conversion rate adjustments under the Warrant Indenture and the Debenture Indenture. For example, in the event that an amendment is proposed to the Company's constating documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

Investment Eligibility

There can be no assurance that the Convertible Debentures will continue to be qualified investments under relevant Canadian tax laws for trusts governed by Registered Plans and deferred profit sharing plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments. See "*Eligibility for Investment*".

Convertible Debentures may be Subject to Withholding Tax and Participating Debt Interest

The Tax Act generally provides that withholding tax is not payable on interest paid or credited to non-residents of Canada that deal at arm's length with the payor. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of

the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants sent to the CRA on May 10, 2010) and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The Company believes the Convertible Debentures should meet the criteria set forth in the CRA's statement. However, the application of CRA's published guidance to the Convertible Debentures is uncertain and there is a risk that the CRA could take the position that amounts paid or payable to a non-resident holder of Convertible Debentures on account of interest or any excess may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention). As noted under "*Risk Factors - Change in Withholding Tax Laws*" below, the Debenture Indenture will not contain a requirement that the Company increase the amount of interest or other payments to holders of Convertible Debentures in the event that it is required to withhold Canadian withholding tax on payments of interest (including any excess that may be considered to be participating debt interest).

Change in withholding tax laws

The Debenture Indenture will not contain a requirement that the Company increase the amount of interest or other payments to holders of Convertible Debentures who are non-resident of Canada for purposes of the Tax Act in the event that the Company is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Convertible Debentures. At present, no amount will generally be required to be withheld under the Tax Act from such payments to holders of Convertible Debentures who are non-residents of Canada dealing at arm's length with the Company, but no assurance can be given that applicable income tax laws will not be changed in a manner that may require the Company to withhold amounts in respect of tax payable on such amounts. See "*Certain Canadian Federal Income Tax Considerations*".

Trading market

The Company cannot assure that a market will continue to develop or be sustained for Common Shares. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell Common Shares at an attractive price or at all. The Company cannot predict the prices at which the Common Shares will trade.

Sales of substantial amounts of Common Shares may have an adverse effect on the market price of the Common Shares

Sales of substantial amounts of Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair Flower One's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond Flower One's control, including, but not limited to the following: (i) actual or anticipated fluctuations in Flower One's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which Flower One will operate; (iv) addition or departure of Flower One's executive officers and other key personnel and consultants; (v) release or expiration of transfer restrictions on outstanding Common Shares; (vi) sales or perceived sales of additional shares; (vii) operating and financial performance that vary from the expectations of management, securities analysts and investors; (viii) regulatory changes affecting Flower One's industry generally and its business

and operations both domestically and abroad; (ix) announcements of developments and other material events by Flower One or its competitors; (x) fluctuations in the costs of vital production materials and services; (xi) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (xii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Flower One or its competitors; (xiii) operating and share price performance of other companies that investors deem comparable to Flower One or from a lack of market comparable companies; and (xiv) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Flower One's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of Common Shares may decline even if Flower One'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 may 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, Flower One's operations could be adversely impacted, and the trading price of Common Shares may be materially adversely affected.

Currency Fluctuations

Due to Flower One's present operations in the United States, its intention to continue future operations outside Canada, and certain of its operating expenses being incurred in Canadian dollars, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Additional Issuance of Common Shares May Result in Dilution

The Company's articles of incorporation allow it to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the Board of Directors, in many cases, without the approval of the Company's shareholders. As part of this Offering, and assuming full conversion of Convertible Debentures and full exercise of Warrants and Broker Warrants, the Company may issue up to 29,808,000 Common Shares (or up to 34,279,200 Common Shares if the Over-Allotment Option is exercised in full), excluding Common Shares issuable in connection with the payment of Effective Interest. Except as described under the heading "*Plan of Distribution*", the Company may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the exercise of stock options or other securities exercisable for Common Shares. The Company may also issue Common Shares to finance future acquisitions. The Company cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

MATERIAL CONTRACTS

The following are the only material contracts, other than those entered into in the ordinary course of business, which the Company and its subsidiaries have entered into since the beginning of the last financial year before the date of this Prospectus, but which contract is still in effect:

1. Amalgamation Agreement dated June 29, 2018 among the Company (named Theia Resources Ltd. at the time), CNX and Flower One Subco, pursuant to which CNX completed the reverse take-over of the Company;

2. Subscription Receipt Agreement dated September 20, 2018 among CNX, Eight Capital, as agent, and Odyssey Trust Company, as subscription receipt escrow agent, with respect to the Eight Capital Agency Agreement (as defined below);

3. Industrial Lease and Purchase Option Agreement dated March 13, 2018 between Cana Nevada Corp. and North Las Vegas Properties Inc., as assigned by Cana Nevada Corp. to CN Licenseco I, Inc. pursuant to an Assignment of Lease Agreement dated April 23, 2018, as amended by the First Amendment dated June 1, 2018 and Second Amendment dated June 15,2018;

4. Consulting Services and Intellectual Property Agreement dated August 17, 2018 between Cana Nevada Corp., and North American Consulting Services, Inc.;

5. Design/Build Contract dated June 29, 2018 between CN Licenseco I, Inc. and The Dennis Group, as design-builder, with respect to the conversion of the NLV Greenhouse (the "**Design/Build Contract**");

6. Agency Agreement dated September 20, 2018 among the Company, Eight Capital and Industrial Alliance Securities Inc., pursuant to which CNX completed a brokered private placement of subscription receipts (the "**Eight Capital Agency Agreement**");

7. NLVO Agreement;

8. License & Plant Purchase Agreement dated October 5, 2018 between CN Licenseco I, Inc. and NLV Organics, Inc.;

9. State of Nevada Medical Marijuana Cultivation License issued by NDOT;

10. State of Nevada Medical Marijuana Production License issued by NDOT;

11. Municipal Medical Marijuana Cultivation License issued by City of North Las Vegas;

12. Municipal Medical Marijuana Production License issued by City of North Las Vegas;

13. Marijuana Product Manufacturing License issued by NDOT;

14. Marijuana Cultivation Facility License issued by NDOT;

15. Permit/License 10982097214978528659 (Facility ID RC090) issued by State of Nevada, Department of Taxation;

16. Permit/License 22741245849235539745 (Facility ID RP065) issued by State of Nevada, Department of Taxation;

17. Permit/License 25747995029047849072 (Facility ID P065) issued by State of Nevada, Department of Taxation;

18. Permit/License 42117353798137771623 (Facility ID C090) issued by State of Nevada, Department of Taxation;

19. State license #NV20141491568 to conduct business in the state of Nevada issued by State of Nevada;

20. Permit/License 2016301702 issued by City of Henderson, NV;

21. Permit/License M64-00045 issued by City of Las Vegas;

22. Permit/License M65-00001 issued by City of Las Vegas;

23. Permit/License 111278 issued by City of North Las Vegas;

24. Permit/License 111277 issued by City of North Las Vegas;

25. Permit/License 105727 issued by City of North Las Vegas;

26. Permit/License 105728 issued by City of North Las Vegas;

27. the Master Lease Agreement, together with all the schedules and riders thereto, including the Amended and Restated Equipment Schedule 1 dated March 11, 2019;

28. the Master Lease Guaranty dated February 1, 2019 granted by Cana Nevada Corp., Canna Nevada LLC, CN Licenseco I, Inc., CN Landco LLC in favour of RB Loan Portfolio I, LP and Restated Master Guarantee dated March 2019;

29. Purchase Agreement and Bill of Sale dated February 1, 2019 entered into between North Las Vegas Equipment Co., Inc., as seller, and RB Loan Portfolio I, LP, as purchaser, with respect to the sale of certain asset on an "as is, where is" and "with all faults" basis for US$10,000,000;

30. the Agency Agreement;

31. the Warrant Indenture; and

32. the Debenture Indenture.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are MNP LLP, located at Suite 2200, MNP Tower, 1021 West Hastings St, Vancouver, BC V6E 0C3. MNP LLP is independent of the Company according to the auditor's rules of professional conduct.

The transfer agent and registrar for the Common Shares is Odyssey Trust Company at its principal offices in Calgary, Alberta and Vancouver, British Columbia.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

In an offering of the Convertible Debentures Units or the Additional Securities, 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 Convertible Debenture Units or the Additional Securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or 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 this right of action for damages or consult with a legal adviser.

CERTIFICATE OF FLOWER ONE HOLDINGS INC.

Dated: March 22, 2019

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(Signed) "*Ken Villazor*"
Chief Executive Officer

(Signed) "*Geoff Miachika*"
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) "*Amit Varma*"
Director

(Signed) "*Warner Fong*"
Director

CERTIFICATE OF THE AGENTS

Dated: March 22, 2019

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

MACKIE RESEARCH CAPITAL CORPORATION

(Signed) "*Jeff Reymer*"
Managing Director

CANACCORD GENUITY CORP.

(Signed) "*Frank Sullivan*"
Vice President

CORMARK SECURITIES INC.

(Signed) "*Alfred Avanessy*"
Managing Director

EIGHT CAPITAL

(Signed) "*Patrick McBride*"
Principal, Head of Origination

INDUSTRIAL ALLIANCE SECURITIES INC.

(Signed) "*John Rak*"
Managing Director

PI FINANCIAL CORP.

(Signed) "*Vay Tham*"
Managing Director