

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 therein only by persons permitted to sell such securities in those jurisdictions. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any applicable state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States (as defined in Rule 902(l) of Regulation S under the U.S. Securities Act) or to, or for the account or benefit of, U.S. persons (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act ("U.S. Persons")) unless an exemption from such registration is available. 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. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Maricann Group Inc. at 845 Harrington Court, Unit 3, Burlington, Ontario, L7N 3P3, telephone 289-288-6274, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

October 24, 2018



MARICANN GROUP INC.

**\$50,077,500**

**30,350,000 Units**  
**\$1.65 per Unit**

This short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of 30,350,000 units (the "**Units**") of Maricann Group Inc. (the "**Corporation**") at a price of \$1.65 per Unit (the "**Offering Price**"). Each Unit consists of one common share of the Corporation (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**") of the Corporation. Each Warrant will entitle the holder thereof, subject to adjustment in accordance with the Warrant Indenture (as defined below), to acquire one common share (a "**Warrant Share**") of the Corporation at an exercise price of \$2.15 per Warrant Share for a period of 36 months following the Closing Date (as defined below) (the "**Warrant Expiry Date**"). The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on or before the Closing Date between the Corporation and TSX Trust Company (the "**Warrant Agent**"), as warrant agent. Pursuant to the terms of the Warrant Indenture, the Corporation may accelerate the expiry date of the Warrants on not less than 30 days' notice should the daily volume weighted average trading price of the common shares of the Corporation (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**") (or such other exchange on which the outstanding Common Shares may trade) be greater than \$3.25 for any 10 consecutive trading days. See "*Description of Securities Being Distributed*".

The Offering is being made pursuant to an underwriting agreement dated October 15, 2018 (the "**Underwriting Agreement**"), by and among the Corporation and Canaccord Genuity Corp. (the "**Lead Underwriter**"), Haywood Securities Inc., AltaCorp Capital Inc. and GMP Securities L.P. (together with the Lead Underwriter, the "**Underwriters**"). The Offering Price and other terms of the Offering were determined by negotiation among the Corporation and the Lead Underwriter. See "*Plan of Distribution*".

The Common Shares are listed for trading on the CSE under the symbol "WAYL", on the OTCQB under the symbol "MRRCF", and on the Frankfurt Stock Exchange under the symbol "75M". On October 10, 2018, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the CSE was \$1.78. The Corporation has made the required filings to the CSE to list the Unit Shares, Warrants and Warrant Shares (including the Over-Allotment Shares, Over-Allotment Warrants, CW Shares and CW Warrants (as such terms are

defined below)). Listing will be subject to the fulfilment of all the listing requirements of the CSE. Subject to receipt of shareholder approval in accordance with the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**") at a meeting of shareholders to be held on December 20, 2018 and filing of articles of amendment, the Corporation intends to change its name to "Wayland Group Corp." Effective September 25, 2018, the CSE ticker symbol for the Corporation was changed to "WAYL". The Corporation is in the process of registering the business name "Wayland Group" in various jurisdictions in Canada.

**There is currently no market through which the Warrants may be sold, and purchasers may not be able to resell the Warrants acquired pursuant to the Offering. This may affect the pricing of the Warrants on the secondary market, the availability of trading prices and the liquidity of the Warrants. See "Risk Factors".**

|                      | Price to the Public <sup>(1)</sup> | Underwriters' Commission <sup>(2)</sup> | Net Proceeds to the Corporation <sup>(3)</sup> |
|----------------------|------------------------------------|---|--|
| Per Unit             | \$1.65                             | \$0.0825                                | \$1.5675                                       |
| Total <sup>(4)</sup> | \$50,077,500                       | \$2,503,875 <sup>(2)</sup>              | \$47,573,625 <sup>(2)</sup>                    |

Notes:

- (1) The Offering Price was determined by arm's length negotiation between the Corporation and the Lead Underwriter, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares.
- (2) In consideration for the services rendered by the Underwriters in connection with the Offering, the Corporation has agreed to pay to the Underwriters an aggregate cash commission (the "**Underwriters' Commission**") equal to 5% of the gross proceeds of the Offering (including any gross proceeds raised on exercise of the Over-Allotment (as defined below)); provided the Underwriters' Commission in respect of the gross proceeds derived from sales of Units to purchasers agreed upon by the Corporation and the Underwriters (the "**President's List Purchasers**") shall be reduced to 2.5%. The Underwriters will also receive, as additional compensation, non-transferable compensation options (the "**Compensation Options**") to purchase that number of Units equal to 5% of the Units sold pursuant to the Offering (including any Over-Allotment Units (as defined below)), other than with respect to purchases by President's List Purchasers, in which case the number of Compensation Options will be reduced to 2.5%. No Units have been sold to President's List Purchasers under the Offering. Each Compensation Option is non-transferable and exercisable to acquire one unit of the Corporation (each, a "**CW Unit**") at a price of \$1.65 per CW Unit, until 5:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, subject to adjustment in certain events. Each CW Unit consists of one Common Share (each, a "**CW Share**") and one-half of one common share purchase warrant (each common share purchase warrant, a "**CW Warrant**"). Each CW Warrant is exercisable to acquire one Common Share (each, a "**CW Warrant Share**") at a price of \$2.15 per CW Warrant Share, until 5:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, subject to adjustment in certain events. The Compensation Options are qualified by this Prospectus. See "*Plan of Distribution*".
- (3) After deducting the Underwriters' Commission in the amount of \$2,503,875 (assuming no Units are sold to President's List Purchasers), but before deducting the expenses of the Offering and the qualification for distribution of the Units, estimated to be \$350,000.
- (4) The Underwriters have been granted an over-allotment option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date (the "**Over-Allotment Deadline**"), to purchase up to an additional 4,552,500 Units (the "**Over-Allotment Units**") at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes (the "**Over-Allotment Option**"). The Over-Allotment Option may be exercised, at the Lead Underwriter's sole discretion, to acquire: (i) up to an additional 4,552,500 Over-Allotment Units at the Offering Price; (ii) up to 4,552,500 additional Unit Shares (the "**Over-Allotment Shares**") at a price of \$1.57 per Over-Allotment Share (the "**Over-Allotment Share Price**"); (iii) up to 2,276,250 additional Warrants (the "**Over-Allotment Warrants**") at a price of \$0.16 per Over-Allotment Warrant (the "**Over-Allotment Warrant Price**"); or (iv) any combination of Over-Allotment Units at the Offering Price, Over-Allotment Shares at the Over-Allotment Share Price and Over-Allotment Warrants at the Over-Allotment Warrant Price, provided that the aggregate number of Over-Allotment Shares which may be issued under the Over-Allotment Option does not exceed 4,552,500 and the aggregate number of Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed 2,276,250. The Over-Allotment Option is exercisable by the Lead Underwriter giving notice to the Corporation prior to the Over-Allotment Deadline, which notice shall specify the number of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants to be purchased. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Commission" and "Net Proceeds to the Corporation" will be \$57,589,125, \$2,879,456 and \$54,709,669, respectively (assuming no Units are sold to the President's List Purchasers). This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants 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 the maximum number of securities under options issuable to the Underwriters in connection with the Offering:

| Underwriters' Position              | Maximum Number of Securities               | Exercise Period                                 | Exercise Price   |
|-------------------------------------|--|---|--|
| Over-Allotment Option               | 4,552,500 Over-Allotment Units             | Up to 30 days after the closing of the Offering | \$1.65 per Over-Allotment Unit<br><br>\$1.57 per Over-Allotment Share<br><br>\$0.16 per Over-Allotment Warrant |
| Compensation Options <sup>(1)</sup> | 1,745,125 CW Shares<br>872,562 CW Warrants | 36 months from the Closing Date                 | \$1.65 per CW Unit   |

Note:

(1) No Units have been sold to President's List Purchasers pursuant to the Offering.

Unless the context otherwise requires, when used herein, all references to "Units" include the Over-Allotment Units issuable upon exercise of the Over-Allotment Option, all references to "Unit Shares" include the Over-Allotment Shares issuable upon exercise of the Over-Allotment Option, all references to "Warrants" include the Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option and all references to "Warrant Shares" include the Common Shares issuable upon exercise of the Over-Allotment Warrants.

**The Corporation has not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this Prospectus. An investment in the securities of the Corporation is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "Risk Factors" and "Cautionary Statement Regarding Forward Looking Information". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.**

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Corporation and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Fogler, Rubinoff LLP and on behalf of the Underwriters by DLA Piper (Canada) LLP. In connection with the Offering, and subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters may offer the Units at a lower price than stated above. **The Underwriters may offer the Units at a lower price than stated above.** See "*Plan of Distribution*".

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about October 31, 2018, or such other date as may be agreed upon by the Corporation and the Underwriters, but in any event not later than 42 days after the date of the receipt of the (final) short form prospectus (the "**Closing Date**"). It is anticipated that the 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 the Units will receive only a customer confirmation from the registered dealer from or through which such Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold such Units on behalf of owners who have purchased such Units in accordance with the book-based system. No certificates will be issued unless specifically requested or required. See "*Plan of Distribution*".

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of

acquiring, holding or disposing of the Special Warrants, the Unit Shares and the Warrants, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Special Warrants, the Unit Shares or the Warrants.

The Corporation's head and registered office is located at 845 Harrington Court, Unit 3, Burlington, Ontario, L7N 3P3.

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## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

One of the Corporation's directors, Gerhard Müller, resides outside of Canada. Mr. Müller has appointed Fogler, Rubinoff LLP as agents for service of process at the following address: 77 King Street West, Suite 3000, Toronto, Ontario M5K 1G8. Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if that person has appointed an agent for service of process. See "*Risk Factors*".

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this Prospectus and the documents incorporated by reference herein may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information is based upon the Corporation's and its management's current internal predictions, expectations, beliefs, plans, projections, objectives, goals, strategies, assumptions, priorities, intentions or estimates. Forward-looking information can often be identified by forward-looking words or phrases such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "schedules", "forecasts", "budgets", "proposes", or variations or comparable language of such words, and phrases or statements stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" occur, be taken or be achieved or other connotations or such words or phrases or other similar expressions concerning matters that are not historical facts. Forward-looking information may also include, without limitation, any statement relating to future events, conditions or circumstances. The Corporation cautions the reader not to place undue reliance upon any such forward-looking information.

Forward-looking information does not constitute historical fact but rather reflects the current expectations of the Corporation regarding future results or events based on information that is currently available. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the results, performance, achievements, predictions, forecasts, projections and other forward-looking information will not occur or will differ materially from such anticipated results, performance, achievements, predictions, forecasts, projections or other forward-looking information. Forward-looking information in this Prospectus and the documents incorporated by reference herein includes, but is not limited to, statements with respect to:

- the completion of the Offering and the receipt of all regulatory and stock exchange approvals in connection therewith;
- the anticipated Closing Date;
- the use of proceeds of the Offering;
- the Corporation's expectations regarding its revenue, expenses and operations;
- the Corporation's anticipated cash needs and its needs for additional financing;
- the Corporation's integration of its acquisitions;
- the Corporation's plans, budget and costs for, and timing of, the expansion of its facility in Langton, Ontario;
- the conduct of further discussions with respect to potential strategic transactions;
- the potential for a strategic transaction to result from such discussions;
- the Corporation's future growth plans, including, but not limited to, its plans for European expansion;
- anticipated timing for receiving certain licenses and certifications, including with respect to exportation/importation to and in Germany and wholesale activities in Germany;
- the Corporation's ability to attract new customers and develop and maintain relationships with existing customers;
- the Corporation's expectations with respect to increased production capacity and timing and quantum of distribution activities;
- additional European opportunities and other potential business joint ventures and product supply agreements;
- expectations with respect to the Corporation's ability to import/export cannabis internationally;
- expectations regarding growth rates and growth plans and strategies;
- plans with respect to the payment of dividends;
- the Corporation's ability to identify, attract, hire, train, motivate and retain personnel;
- the Corporation's technology and data, and expected uses and benefits;

- general economic, business and political conditions;
- stock market volatility;
- anticipated costs and ability to achieve goals including production capacity;
- the ability of the Corporation to renew its licenses and permits from Health Canada and regulatory authorities elsewhere;
- compliance with regulatory requirements as set out by the Cannabis Regulations (as defined herein) and Health Canada;
- the outcome of the regulatory investigation related to the Chief Executive Officer of the Corporation and other matters discussed under "*Additional Information*";
- medical benefits, viability, safety, efficacy, and social acceptance of cannabis;
- the impact of certain changes in cannabis laws and regulations in the jurisdictions in which the Corporation operates;
- the Corporation's competitive position and its expectations regarding competition in the cannabis industry; and
- anticipated trends and challenges in the Corporation's industry, its business and the markets in which it operates.

Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Corporation nor any other person assumes responsibility for the accuracy or completeness of the forward-looking information. Given these risks, uncertainties and assumptions, investors should not place undue reliance on this forward-looking information. Whether actual results, performance and achievements will conform to the Corporation's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the heading "Risk Factors" in the Prospectus and the AIF (as defined herein), as well as other documents incorporated by reference herein, which include, but are not limited to, risks related to:

- use of proceeds;
- additional financing;
- market price for securities
- dilution to Common Shares;
- negative operating cash flow;
- inability to enforce legal rights;
- no market for the Warrants;
- a positive return on an investment in the Common Shares or the Warrants is not guaranteed;
- shareholders rights;
- reliance on licenses, permits and renewals thereof;
- medical cannabis industry in Canada is a relatively new industry;
- changes in Canadian laws, regulations and guidelines;
- international operations will increase in increased operational, regulatory and other risks;
- the Corporation's failure to manage its growth effectively;
- reliance on third party transportation;
- product liability;
- product recalls;
- potential general litigation;
- competition;
- reliance on main facility;
- risks inherent in the agricultural business;
- intellectual property;
- risks of foreign operations;
- Maltese operations;
- reliance on international advisors and consultants;
- environmental regulations and risks;
- constraints on marketing products, operating risks and insurance;

- uninsured and uninsurable risks;
- sufficiency of insurance;
- unfavourable publicity or consumer protection;
- acquisition and development risks;
- reliance on key personnel; and
- adverse media coverage.

The forward-looking information contained in this Prospectus is presented as of the date of this Prospectus and, accordingly, is subject to change after such date. Forward-looking information is disclosed for the purpose of providing information about management's current expectations and plans and allowing investors and others to gain a better understanding of the Corporation's operating environment. The Corporation does not intend or undertake to publicly update any forward-looking information included in this Prospectus, whether as a result of new information, future events or otherwise, except in accordance with applicable Canadian securities laws.

### 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.** The Corporation is permitted to "incorporate by reference" such information, which means that the Corporation can disclose important information to you by incorporating certain documents into this Prospectus. Information that is incorporated by reference is an important part of this Prospectus. Copies of the Corporation's documents incorporated by reference may be obtained on request without charge from the Secretary of the Corporation by telephone at 289-288-6274, and are also accessible at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation, which have been filed with the applicable securities commissions or similar regulatory authorities in Canada, are incorporated by reference into and form an integral part of this Prospectus:

- the annual information form of the Corporation dated June 24, 2018 for the year ended December 31, 2017 (the "**AIF**");
- the audited consolidated financial statements of the Corporation for the year ended December 31, 2017 and the comparative financial statements for the year ended December 31, 2016 of Maricann, together with the auditor's report thereon and the notes thereto;
- the Corporation's management's discussion and analysis for the year ended December 31, 2017;
- the audited consolidated financial statements of Danbel for the year ended December 31, 2016, together with the auditor's report thereon and notes thereto;
- the unaudited condensed interim consolidated financial statements of the Corporation for the period ended June 30, 2018 and 2017, together with the notes thereto;
- the Corporation's management's discussion and analysis for the period ended June 30, 2018 and 2017;
- the Corporation's management information circular dated November 10, 2017 in respect of the Corporation's meeting of shareholders held on December 15, 2017;
- the material change report dated January 16, 2018 with respect to the closing of the private placement of special warrants issued in January 2018 (the "**January 2018 Offering**");
- the material change report dated January 31, 2018 with respect to a proposed bought deal offering (the "**Bought Deal Offering**");
- the material change report dated March 2, 2018 with respect to the termination of the Bought Deal Offering, the change of directors of the Corporation, and the Ontario Securities Commission (the "**OSC**") conducting a review of filing of certain reports;
- the material change report dated April 23, 2018 with respect to the acquisition of Haxxon AG (the "**Haxxon Acquisition**");
- the material change report dated April 26, 2018 with respect to the receipt of necessary approvals from Health Canada to commence cultivation in Phase One of the Corporation's facility located at 138, 8<sup>th</sup> Concession Road, Langton, Ontario ("**Site 138**");
- the material change report dated July 30, 2018 with respect to the August 2018 special warrant offering (the "**August 2018 Offering**");

- the material change report dated July 30, 2018 with respect to the amendment of the terms of the August 2018 Offering;
- the material change report dated August 10, 2018 with respect to completion of the August 2018 Offering;
- the business acquisition report dated January 10, 2018 with respect to the acquisition of NanoLeaf Technologies Inc. (the "**NanoLeaf Acquisition**");
- the marketing materials of the Corporation dated October 11, 2018 with respect to the Offering (the "Marketing Materials"); and
- the material change report dated October 11, 2018 with respect to the Offering.

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements and related management's discussion and analysis, annual audited consolidated financial statements (including the independent auditor's report thereon) and related management's discussion and analysis, business acquisition reports, information circulars and certain other disclosure documents, of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated in a short form prospectus, filed by the Corporation with any securities commissions or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of the Offering will be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Corporation and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

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

## MARKETING MATERIALS

The Marketing Materials are not part of this Prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus. Any "template version" of any "marketing materials" (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) after the date of this Prospectus and before the termination of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) will be deemed to be incorporated by reference into this Prospectus.

## SUMMARY DESCRIPTION OF BUSINESS

### Corporate Structure

The Corporation was incorporated as "Augusta Technologies Inc." on December 19, 1996 pursuant to Articles of Incorporation issued pursuant to the *Business Corporations Act* (Alberta) and changed its name to "Danbel Industries Corporation" pursuant to Articles of Amendment dated December 21, 1998. The Corporation was continued into the Province of Ontario pursuant to Articles of Continuance filed on December 24, 1998. The Corporation changed its name to "Danbel Ventures Inc." ("**Danbel**") pursuant to Articles of Amendment filed on December 1, 2011. Maricann Inc. ("**Maricann**") was incorporated pursuant to Articles of Incorporation issued pursuant to the OBCA on April 25, 2013.

On April 20, 2017, Maricann completed a reverse takeover of Danbel (the "**RTO**"). Pursuant to the RTO, 2563554 Ontario Inc. ("**Subco**"), a wholly-owned subsidiary of Danbel, merged with Maricann and the combined entity,

Maricann, became a wholly-owned subsidiary of the Corporation. In connection with the RTO, Danbel completed a consolidation (the "**Consolidation**") of its common shares on the basis of one post-Consolidation common share (each, a "**Common Share**") for every 9.22 pre-Consolidation common shares. Upon completion of the RTO, Common Shares were issued to former shareholders of Maricann, on a one-for-one basis and the business and shareholders of Maricann became the business and shareholders of the Corporation. The Corporation filed Articles of Amendment on April 20, 2017 and changed its name to "Maricann Group Inc."

Subject to receipt of shareholder approval in accordance with the provisions of the OBCA at a meeting of shareholders to be held on December 20, 2018 and filing of articles of amendment, the Corporation intends to change its name to "Wayland Group Corp.". Effective September 25, 2018, the CSE ticker symbol for the Corporation was changed to "WAYL". The Corporation is in the process of registering the business name "Wayland Group" in various jurisdictions in Canada.

The registered and head office of the Corporation is located at 845 Harrington Court, Unit #3, Burlington, Ontario. The Corporation's website is www.maricann.com. The content of the Corporation's website is not incorporated by reference into this Prospectus.

### Intercorporate Relationships

The following is an organizational chart setting out the inter-corporate relationships between the Corporation and its significant direct and indirect subsidiaries, which together comprise the consolidated Corporation, and the jurisdiction of organization of each such entity, as at the date hereof:

| Name of Subsidiary         | Jurisdiction of Incorporation, Continuance, Formation or Organization | Percentage of Voting Securities Owned | Holder of Outstanding Voting Securities         |
|----------------------------|---|---------------------------------------|---|
| Maricann Inc.              | Ontario, Canada   | 100%                                  | Maricann Group Inc.                             |
| NanoLeaf Technologies Inc. | Canada  | 100%                                  | Maricann Group Inc.                             |
| Maricann B.V.              | Netherlands   | 100%                                  | Maricann Inc.                                   |
| Maricann GmbH              | Bavaria, Germany  | 95%<br>5%                             | Maricann B.V.<br>INEG Holding UG <sup>(1)</sup> |
| Mariplant GmbH             | Saxony, Germany   | 95%<br>5%                             | Maricann B.V.<br>INEG Holding UG <sup>(1)</sup> |
| Haxxon AG                  | Switzerland   | 100%                                  | Maricann B.V.                                   |
| Proimaging AG              | Switzerland   | 100%                                  | Maricann GmbH                                   |

Note:

(1) INEG Holdings is wholly-owned by the General Manager of Maricann GmbH.

The Common Shares are listed under the symbol "WAYL" on the CSE, on the OTCQB under the symbol "MRRCF", and on the Frankfurt Stock Exchange under the symbol "75M".

### Description of the Business

The Corporation is a vertically integrated medical marijuana company, operating a cultivation, extraction and distribution business. The Corporation, through its wholly-owned subsidiary Maricann, is permitted to possess, produce, sell, ship, transport, deliver and destroy dried medical marijuana, marijuana plants (including plants and seeds), cannabis resin and cannabis oil in Ontario.

The Corporation currently conducts all of its active business through Maricann. The Corporation, through Maricann, is engaged in the medical marijuana industry and is a licensed Medical Marijuana Producer as regulated by Health Canada under the Cannabis Regulations promulgated under the Cannabis Act (as defined below).

Maricann first received its cultivation license for 150, 8<sup>th</sup> Concession Road, Langton, Ontario ("**Site 150**") on March 27, 2014 and its full Health Canada sales license to produce and distribute medical marijuana on December 12, 2014. Maricann commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May 2016 and October 2016, respectively. On September 5, 2017, Maricann received a second site license for its Burlington, Ontario location. The Corporation's initial two licences were renewed on November 28, 2017, with an expiry date of October 9, 2020 and removed annual production limits on approved medical cannabis products at Site 150. This licence increased capacity to 6,250,000 grams on site at any one time and is valid until October 9, 2020. The previous annual licence limited production to a total of 1,282,000 grams (930kg of dried marijuana and 352 kg of cannabis oil) per year. On April 20, 2018, Maricann received a third license from Health Canada for 138, 8<sup>th</sup> Concession Road, Langton, Ontario ("**Site 138**"). See "*Material Contracts*".

Maricann currently occupies and conducts operations at Site 150, as tenant, pursuant to a lease agreement dated September 20, 2013 (the "**Site 150 Lease**"). The Site 150 Lease carries a five-year term, subject to certain adjustments, which commenced on November 1, 2013 and expires on October 31, 2018. The Site 150 Lease has been renewed for a further five-year term. Pursuant to the Site 150 Lease, Maricann currently makes monthly rent payments to the Site 150 landlord of \$6,250 (excluding additional payments owing pursuant to the Site 150 Lease in respect of, among other things, certain applicable taxes and operating costs), and is obligated to make such payments, subject to certain adjustments, until the expiration of the Site 150 Lease. The Site 150 Lease provides Maricann with the right to extend the term of the Site 150 Lease for two further periods of five years each, commencing on the day following the last day of the term of the Site 150 Lease or the preceding extension term, subject to certain conditions. The Site 150 Lease includes standard default provisions relating to, among other things, failures of Maricann to complete payments owing and other performance obligations under the Site 150 Lease. See "*Material Contracts*" and "*Risk Factors*".

Maricann is currently focusing on the rapidly expanding Canadian medical marijuana industry. With the recent passing of the federal *Cannabis Act* in Canada (as defined herein), the Corporation will begin to direct more of its focus and resources to the recreational marijuana market in Canada. Maricann's management team is committed to aggressive, cost-effective growth, and intends to facilitate growth through cash flow from operations and strategic acquisitions in the future. Sales efforts by Maricann are handled by its operational management team and sales and marketing personnel. Most efforts are direct sales with customers, though Maricann also engages in trade shows and industry events.

The Corporation conducts business in Canada, Germany and Switzerland and expects to commence operations in Malta in the next 12 months. The Corporation and its subsidiaries will only import and export cannabis in a manner and in jurisdictions where it is legal to do so. See "*Activities Outside of Canada*".

CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**SN 51-352**"), as revised on February 8, 2018, provides specific disclosure expectations for issuers that currently have, or are in the process of developing, marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework. Currently, the Corporation does not intend to carry on business in the United States or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any jurisdiction where the sale of cannabis is unlawful under applicable laws.

Maricann is party to certain exclusivity agreements with U.S. based companies that may themselves participate in the U.S. cannabis market. Under such agreements, Maricann does not invest in or provide goods or services to an entity directly involved in the U.S. marijuana industry, nor does it do so in an indirect or ancillary manner. Instead, under such agreements, Maricann is provided with the right to act as the exclusive distributor and retailer of the brand names of the respective counterparties in Canada in accordance with the Health Canada license held by Maricann under the Cannabis Regulations. These agreements do not involve the Corporation, Maricann or their subsidiaries in any U.S. activities in respect of cannabis.

## **Recent Developments**

On July 5, 2018, the Corporation announced it had entered into a supply agreement with the Alberta Gaming, Liquor & Cannabis Commission to allocate up to 3,375 kg of cannabis product for the Alberta market within the first six

months following the coming into force of the Cannabis Act and the regulation of unqualified use of cannabis for adult use thereunder.

On July 11, 2018, the Corporation announced it has been selected by the British Columbia Liquor Distribution Branch to enter into a memorandum of understanding as a preferred licensed producer to initially supply approximately 3,622kg of non-medical cannabis to the BC Liquor Distribution Branch over the first 12 months following the coming into force of the Cannabis Act and associated regulations.

On July 17, 2018, the Corporation announced that the Malta Enterprise (the country's official economic development agency and the government entity responsible for cannabis licenses) had approved the Corporation's application to establish a business in Malta to manufacture finished dose medical cannabis.

On July 18, 2018, the Corporation announced the August 2018 Offering of special warrants of the Corporation (the "**August 2018 Special Warrants**"), which subsequently closed on August 10, 2018 for an aggregate of \$37.4 million of gross proceeds to the Corporation.

On August 13, 2018, the Corporation announced the launch of MariPlant GmbH ("**MariPlant**"), the Corporation's European nutraceutical line of business. MariPlant's products became available for sale in Germany beginning on August 20, 2018, with strategic expansion planned throughout the European Union where it is legal to do so.

On August 21, 2018, the Corporation announced that the Corporation has been selected by The Ontario Cannabis Store to supply a variety of cannabis products through the province's online store launching on October 17, 2018.

On August 22, 2018, the Corporation announced that MariPlant commenced the harvest of approximately 165 hectares of hemp utilizing harvesting and drying systems, designed to optimize yield from industrial hemp.

On August 28, 2018, the Corporation announced that it entered into a non-binding term sheet to form a strategic joint venture with San Martino S.S. ("**San Martino**"), a large scale agricultural company in the Piedmont Region of Italy, founded by Milan businessman Umberto Signorini. Pursuant to the proposed joint venture, the Corporation and San Martino are to develop a centre of excellence for cannabis products, in conjunction with the University of Eastern Piedmont, initially producing high cannabidiol ("**CBD**") content for the medical market, and then ultimately tetrahydrocannabinol ("**THC**") product for the European market. The formation of the joint venture remains subject to due diligence and the negotiation and execution of definitive documentation. See "*Risk Factors*".

On September 27, 2018, the Corporation announced that it will open its first retail location in Zurich, Switzerland in 2019, serving the market with cannabis products that contain a maximum THC content of 1%, through its Swiss subsidiary, Haxxon AG.

On October 2, 2018, the Corporation announced that it had filed a final prospectus to qualify the distribution of 23,376,100 Common Shares and warrants issuable on exercise of the August 2018 Special Warrants.

On October 4, 2018, the Corporation announced it received accreditation for its proprietary education program for pharmacists from the Canadian Council on Continuing Education in Pharmacy (the "**CCCEP**"). The Corporation's program incorporates online learning tools including, webinars, educational events and educational resources specifically for pharmacists and clinicians. The educational program, which launched on October 1, 2018, is accredited by the CCCEP for pharmacists on the clinical and practical application of cannabinoid therapy.

On October 10, 2018, the Corporation announced it had exported THC distillate within a stability range that meets the standards suitable for product commercialization in Switzerland.

On October 15, 2018, the Corporation announced that it entered into an agreement to supply a licensed, privately owned importer and distributor of cannabis in Germany with a minimum of 9,000 kg of EU-GMP certified cannabis flowers over a three year term. The parties have completed mandatory quality assurance and control audits. The Corporation is required to obtain an export permit from Health Canada and an import permit from the applicable regulatory authorities in Germany for each shipment under the agreement. See "*Regulatory Framework in Canada*".

and "*Activities Outside of Canada*". The Corporation expects that the first shipment to be completed in December 2018.

On October 17, 2018, the Corporation announced the release of its portfolio of brands designed to cater to different ages, genders, and occasions. The Corporation also announced that it had received a sales licence from Health Canada for the expansion of the Corporation's Norfolk facility, permitting the Corporation to ship product grown in such facility.

On October 18, 2018, the Corporation announced it had completed the hemp harvest at its operations in Germany, harvesting 135 of the 165 hectares planted. The amount of dry hemp flowers recovered and suitable for processing into resin totaled 120,615 kg. A total of 3,000 kg of dried hemp flowers have been extracted to date, from which 450 kg of resin has been produced for further distillation.

In light of the rapid growth in the European medical cannabis market, the Corporation has added to its European management team, expanded its ability to conduct medical testing and centered its medical cannabis research and development in Germany. The Corporation has received an EudraCT (European Union Drug Regulating Authority Clinical Trial) number and Protocol Code Number to allow further testing of the patented VesiSorb® Technology for cannabinoids. In 2017, through a commercialization agreement with SourceOne Global Partners, Maricann acquired the supply rights to VesiSorb® for use with cannabis for human consumption in Canada, Germany and other territories. Morten Lars Brandt, an experienced pharmaceutical executive, is now in the role of General Manager, Europe. Dr. Thoralf Schlosser has been named as the Qualified Person for the Corporation's European Medical Division.

Additional information in respect of the Corporation's business is available in the AIF and other documents incorporated by reference herein.

## **REGULATORY FRAMEWORK**

### **Regulatory Framework in Canada**

#### *Summary of the Cannabis Act and Regulations*

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the "**Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "**Cannabis Act**"), which proposed the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45. On June 20, 2018 the Senate approved Bill C-45 and the Act received Royal Assent on June 21, 2018. The Cannabis Act came into force on October 17, 2018. Given that these regulations are very new, the impact of such regulatory changes on the Corporation's business is unknown. See "*Risk Factors - Changes in Laws, Regulations and Guidelines*".

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for nonmedicinal (i.e., adult use) use, to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations ("**Cannabis Regulations**"), the new Industrial Hemp Regulations ("**IHR**", and together with the Cannabis Regulations, the "**Regulations**"), along with proposed amendments to the Narcotic Control Regulations and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes

of licenses that can be granted, and set standards for cannabis and hemp products that became available for legal sale on October 17, 2018.

As of October 17, 2018, the Cannabis Act and Regulations replaced the *Access to Cannabis for Medical Purposes Regulation* ("ACMPR") as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that was in force immediately before the day on which the Cannabis Act came into force (being October 17, 2018) was deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

#### *Adult Use Cannabis*

The Corporation intends to participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market.

#### *Licenses, Permits and Authorizations*

The Cannabis Regulations establish six classes of licenses:

- Cultivation licenses;
- Processing licenses;
- Analytical testing licenses;
- Sales for medical purposes licenses;
- Research licenses; and
- Cannabis drug licenses.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Producers holding production and sales licenses under the ACMPR will be transferred to similar licenses under the Cannabis Act.

The Cannabis Regulations permit cultivation license holders to conduct both outdoor and indoor cultivation of cannabis, however no licensed activities (except for destruction, antimicrobial treatment and distribution) can take place in a "dwelling-house". The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

The new IHR replaced the Industrial Hemp Regulations on October 17, 2018. The regulatory scheme for industrial hemp largely remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements were softened in accordance with the low risk posed by industrial hemp.

#### *Security Clearances*

Certain people associated with cannabis licensees, including individuals occupying a "key position" directors, officers, large shareholders and individuals identified by the Minister of Health (the "**Minister**"), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

### *Cannabis Tracking System*

Under the Cannabis Act, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Regulations provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

### *Cannabis Products*

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, including in such forms as "pre-rolled" and in capsules. The THC content and serving size of cannabis products is limited by the Cannabis Regulations. The sale of edibles containing cannabis and cannabis concentrates will not initially be permitted, however the federal government anticipates that such products will be legalized within one year following the coming into force of the Cannabis Act.

The IHR defines industrial hemp as cannabis plants whose leaves and flowering heads do not contain more than 0.3% THC.

### *Packaging and Labeling*

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis. The Cannabis Regulations require all cannabis products to be packaged in a manner that is tamper-proof and child-resistant.

While minor allowances for branding would be permitted, Health Canada is proposing strict limits on the use of colours, graphics, and other special characteristics of packaging. Cannabis package labels must include specific information, such as (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator, (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel or, if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed.

### *Cannabis for Medical Purposes*

Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which is to remain substantively the same as that which existed under the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider will continue to have access to cannabis, either purchased directly from a federally licensed producer, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them.

Under the Part 14 of the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (a) they can continue to access cannabis by registering with Licensed Producers; (b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (c) they can designate someone else to produce cannabis for them. With respect to (b) and (c), starting materials, such as marijuana plants or seeds, must be obtained from Licensed Producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Corporation's products and could materially and adversely affect the business, financial condition and results of operations of the Corporation. That said, management of the Corporation believes that

many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis. See "*Risk Factors*".

#### *Health Products and Cosmetics Containing Cannabis*

Health Canada has taken a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Cannabis Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics is permitted and will be subject to provisions of the Cannabis Act.

#### *Import / Export Permits for Medical or Scientific Purposes*

Part 10 of the Cannabis Regulations sets out the process by which a license holder may apply for an import or export permit for medical or scientific purposes, as set out in the regulations. A permit must be obtained for each shipment of cannabis. An application for an import or export permit must contain specific information including the name and address of the holder, license number and specifics of the particular shipment including intended use of the cannabis and specific shipment details. The Cannabis Regulations contain reporting requirements in respect of the import / export of cannabis in reliance of a permit issued under the Cannabis Regulations.

#### *Provincial and Territorial Regulatory Framework for Recreational Cannabis*

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

All Canadian provinces and territories have announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age is 18.

**Ontario:** Under the Cannabis Act, 2017, the distribution and retail sale of recreational cannabis is to be conducted through the Ontario Cannabis Retail Corporation (“OCRS”), a subsidiary of the Liquor Control Board of Ontario (“LCBO”). Recreational cannabis is sold on-line through the Ontario Cannabis Store platform commencing on October 17, 2018.

Ontario will allow the sale of recreational cannabis by private retailers with a target date of April 1, 2019. On October 17, 2018, Bill 36 came into force and created the *Cannabis License Act, 2018* and amending (among other legislation) the *Cannabis Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017* and the *Liquor Control Act* regulating the private retail sale of recreational cannabis, and:

- requires private retailers to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. Private retailers are not permitted to sell cannabis on-line, but may only sell cannabis in person at an authorized retail store;
- requires anyone who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees to have a cannabis retail manager license;
- limits federally licensed producers (and their affiliates) to operating one retail cannabis store, which must be located at the site listed on such producer's federal license. The term “affiliate” is not defined in Bill 36,

although it may be in future regulations. The definition of affiliate may have the effect of limiting the ability of federally licensed producers from entering into the consumer retail market in Ontario;

- prohibits federally licensed producers from promoting their products by way of providing any material inducement to cannabis retailers;
- permits municipalities and reserve band councils to opt out of the retail cannabis market by resolution. Municipalities have until January 22, 2019 to pass such by-laws. Municipalities that opt out may later lift the prohibition on retail cannabis stores by subsequent resolution. Municipalities may not pass a bylaw providing for a further system of licensing over the retail sale of cannabis; and
- imposes further restriction through future regulation.

Cannabis retail store operators are only permitted to purchase cannabis from the OCS, which may set a minimum price for cannabis or classes of cannabis.

**Manitoba:** The Government of Manitoba has announced a "hybrid model" for cannabis distribution when cannabis for recreational purposes is legalized. The supply of cannabis in the Province of Manitoba is to be secured and tracked by the Manitoba Liquor and Lotteries Corp.; however licensed private retail stores are permitted to sell recreational cannabis. Manitoba is currently accepting applications from retailers to open stores for the sale of cannabis for recreational purposes. This process was open until December 22, 2017, with retail stores scheduled to open as early as October 17, 2018.

**Alberta:** The Government of Alberta has announced a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are to be permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

**New Brunswick:** Similar to the approach taken by Ontario, the Province of New Brunswick announced that it will set up a network of tightly-controlled, stand-alone stores through the New Brunswick Liquor Corporation.

**Quebec:** On July 19, 2018, the Government of Quebec passed its Cannabis law, Bill 157. Bill 157 sets the legal age for cannabis consumption in the province at 18 years of age and mandated all recreational marijuana is to be managed and sold by Société québécoise du cannabis (the "SQDC") outlets and is to be available for sale online, the entire process controlled by the Société des alcools du Québec.

**Newfoundland and Labrador:** In May 2018, Newfoundland and Labrador introduced legislation relating to the legalization of cannabis including the *Cannabis Control Act* (the "CCA") whereby recreational cannabis will be sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "NLC"), overseeing the distribution to private sellers who may sell to consumers. Pursuant to the CCA, the NLC will control the possession, sale and delivery of cannabis, and set prices. It will also be the initial online retailer, although licenses may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

**Yukon:** Similarly, the Yukon has released the *Cannabis Control and Regulation Act* which limits the initial distribution and sale of recreational cannabis to government outlets and government-run online stores, and allows for the later licensing of private retailers.

**Northwest Territories:** The Government of the Northwest Territories has also announced its proposed approach for the distribution and sale of recreational cannabis which relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

**British Columbia:** The Government of British Columbia's *Cannabis Control and Licensing Act* (the "CCLA") received royal assent on May 31, 2018. The CCLA stipulates that recreational cannabis is to be sold in that province through both public and privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

**Saskatchewan:** The Government of Saskatchewan announced that recreational cannabis will be sold by private retailers. The Saskatchewan Liquor and Gaming Authority is to issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nation communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

**Nova Scotia:** In Nova Scotia, Bill 108, *Cannabis Control Act* received royal assent on April 18, 2018, and establishes the licensing system for the retail sale of non-medical cannabis. The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online sales.

**Nunavut:** In Nunavut, Bill 7, *Cannabis Act* ("**Nunavut Cannabis Act**") received royal assent on June 13, 2018. The Nunavut Cannabis Act provides for the regulation of non-medical cannabis in the province of Nunavut, and establishes the licensing system for the retail sale of non-medical cannabis. Under the Nunavut Cannabis Act, a person can submit an application for a licence to operate a cannabis store, remote sales store, or cannabis lounge. Licences may not be issued to minors, employees or agents of the Liquor and Cannabis Commission (Nunavut), or a person who does not meet the conditions prescribed by regulation for applicants. Nunavut will allow for the sale of marijuana through both public and private retail and online.

**Prince Edward Island:** In Prince Edward Island, Bill 29, An Act to Respond to the Legalization of Cannabis received royal assent on June 12, 2018. Similar to Nova Scotia, Prince Edward Island requires cannabis be sold publicly, through government stores and online.

The Corporation has entered into supply agreement with distributors in the provinces of British Columbia, Alberta, Manitoba and Ontario. There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will be implemented on the terms outlined above or at all.

### Activities Outside of Canada

The Corporation only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and Canadian regulatory obligations. The Corporation has planned activities in Germany, Switzerland and Malta. In order for the Corporation to export or import cannabis products to or from an international jurisdiction, the Corporation would be required to apply for an export/import permit from Health Canada and a corresponding import/export permit from the regulator in the international jurisdiction. The Corporation currently expects to import raw materials from Canada, Switzerland and Germany. However, the final determination will be made based on then current regulatory and market factors. The Corporation does not currently hold import licenses or permits in any jurisdictions and will only import raw materials in a manner and from jurisdictions where it is legal to do so.

The following table outlines, in a summary form, the regulatory status of cannabis in the international jurisdictions, as well as the activities of the Corporation or its local affiliate conducts:

| Country | Regulatory Status and Framework  | Corporate Activities   | Required Licenses / Permits  |
|---------|--|--|--|
| Germany | <p>Federally legal for medicinal use.</p> <ul style="list-style-type: none"> <li>Cannabis containing less than 0.2% THC can be cultivated by registered growers upon approval by the Ministry of Agriculture.</li> <li>Cannabis containing greater than 0.2% THC can only be cultivated and distributed with the approval of the Ministry of Health.</li> <li>As of March 2017, the German government</li> </ul> | <p>Maricann GmbH plans to submit materials to the BfArM to become a licensed producer and wholesaler of cannabis as part of the new tender process taking place in Germany with a submission date of November 5, 2018.</p> | <p><i>Cannabis</i> – Maricann GmbH intends to submit materials to the BfArM to become a licensed producer and wholesaler of cannabis as part of the new tender process taking place in Germany with a submission date of November 5, 2018.</p> |

| Country                   | Regulatory Status and Framework  | Corporate Activities   | Required Licenses / Permits   |
|---------------------------|--|--|---|
|                           | <p>enacted the new "cannabis as medicine" law, allowing the medical use of the cannabis plant, Cannabis sativa.</p> <ul style="list-style-type: none"> <li>The prescription, distribution and import of medical cannabis is overseen by an authority within the Ministry of Health, the Federal Institute for Drugs and Medical Devices (the "BfArM").</li> <li>BfArM issues import permits for the import of medical cannabis for distribution through pharmacies.</li> <li>With the legalization of cannabis, the BfArM established a cannabis agency to organize and control the cultivation of cannabis for medical use. As a result, BfArM, is carrying out a tender process to identify suppliers to cultivate medical cannabis within Germany.</li> </ul>   | <p>To date, the Corporation has obtained one export permit in April 2018 allowing for the export of cannabis to Germany.</p> | <p>Issued license will be valid for a period of four years.</p> <p><i>Hemp / CBD, THC &lt;0.2%</i> - no licence required</p>        |
| <p><b>Switzerland</b></p> | <p>Federally legal for medicinal and scientific use.</p> <ul style="list-style-type: none"> <li>Cannabis containing less than 1.0% THC is not subject to the federal Swiss Narcotics Act and is considered to be legal. No license is required under the Swiss Narcotics Act to cultivate or sell products containing cannabis with less than 1% THC, however, such products are subject to general regulations and the Federal Office of Public Health (FOPH), the Federal Food Safety and Veterinary Office (FSVO) and Swissmedic, the Swiss Agency for Therapeutic Products) are responsible for control, depending on the products' classification. For smoked tobacco substitutes, which are the products sold by Haxxon, they are subject to the Tobacco Products Ordinance, and must satisfy applicable requirements to smoked tobacco products they replace, including health and safety, reporting requirements to the FOPH, packaging information requirements, business and tax registration.</li> <li>Cannabis containing greater than 1.0% THC is generally prohibited from being cultivated and distributed, subject to obtaining an exceptional license.</li> <li>The Federal Office of Public Health grants such exceptional licenses pursuant to the following activities: (i) the development of medicinal products; (ii) for restricted medical use (on prescription from a medical doctor); or (iii) scientific research purposes.</li> <li>An exceptional license for cultivation, import from another jurisdiction, production, or distribution of cannabis may be granted by the Federal Office of Public Health if such cannabis is an active ingredient in a medicinal product authorized by the Swiss Agency for Therapeutic Products.</li> <li>Import / export license application process includes receipt of certification of good agricultural control practices protocols and hazard analysis critical control points to the satisfaction of Swissmedic.</li> <li>Without such exceptional license, any commercial activities in connection with cannabis or other products containing greater</li> </ul> | <p>Haxxon produces Low THC Strains in Switzerland.</p>   | <p><i>Cannabis &lt; 1% THC</i> – no existing licence requirements.</p> <p><i>Hemp / CBD, THC &lt;0.2%</i> - no licence required</p> |

| Country      | Regulatory Status and Framework  | Corporate Activities   | Required Licenses / Permits   |
|--------------|--|--|---|
|              | than 1% THC is prohibited in Switzerland.  |  |   |
| <b>Malta</b> | <ul style="list-style-type: none"> <li>In April 2018 Maltese parliament passed the Production of Cannabis for Medicinal Use Act, 2018 that legalizes the production of medicinal cannabis.</li> <li>Maltese Medicines Authority grants license pursuant to the following activities: <ul style="list-style-type: none"> <li>a) Cultivation, importation from another jurisdiction or processing of cannabis,</li> <li>b) production of any products intended for medicinal and, or research purposes deriving from or resulting from the use of cannabis,</li> <li>c) trade in cannabis and, or any preparations intended for medicinal and, or research purposes as deriving from cannabis.</li> </ul> </li> <li>Such licence shall only be granted where the intended use of cannabis and, or products deriving therefrom is for medicinal and, or research purposes.</li> </ul> <p>All persons intending to carry out any of the above identified activities shall:</p> <ul style="list-style-type: none"> <li>comply with the provisions of the Act;</li> <li>obtain a letter of intent from Malta Enterprise after making an application on the prescribed form.</li> <li>Malta Enterprise shall ensure that the proposed activity is solely a production process;</li> <li>comply with all regulations, including international obligations resulting from a treaty to which Malta may from time to time be a party, as may be applicable;</li> <li>comply with all regulations relating to the production and quality standards of products for medicinal and, or research purposes, as the case may be, as applicable under the Medicines Act and with any other relevant regulations;</li> <li>obtain a licence from the Medicines Authority;</li> <li>comply with any other relevant regulations as shall, from time to time, be promulgated under the Act or any other applicable law.</li> </ul> | <p>The Corporation has received confirmation from Malta Enterprise in the form of a Letter of Intent, to move ahead with licensing of finished goods production facilities for medical cannabis. Malta Enterprise has approved the Corporation's application to set up a business in Malta to manufacture finished dose medical cannabis.</p> <p>This license allows the Corporation to (i) cultivate cannabis, (ii) import raw materials from international jurisdiction to supply its Maltese operations, (iii) process such raw materials to create pure cannabis distillates, allowing for true pharmaceutical manufacturing, and (iii) export finished products. The approval in Malta is conditional on a number of items including (i) operation of the business in compliance with applicable laws, (ii) compliance with certain reporting requirements, (iii) the Corporation's Malta subsidiary reaching an employment level of at least 28 full-time equivalent employees within three years from the start of operations, (iv) the Corporation's Malta subsidiary investing at least €9.5 million in improvements to the site, plant, machinery and equipment within three years from the allocation of the applicable site and (v) the Corporation obtaining a licence (which includes a license to import raw materials) from the Medicines Authority.</p> <p>The Corporation anticipates that the Maltese business will be conducted through a wholly-owned subsidiary which will be incorporated and organized as part of the licensing application process.</p> | <p><i>Cannabis</i> – Medicinal Authority issues licenses. The Corporation is currently in the process of submitting its application and will be required to apply for a permit to import raw materials. The Corporation expects that it will take approximately nine months from the date of application to receive a licence from the Medicines Authority. As part of the licencing application process, the Corporation must provide the following information to the Medicines Authority: (i) details of the manufacturing process and samples of the products; (ii) provide copies of all standard operating procedures pertaining to the production process employed in the Maltese operations; and (iii) provide details regarding suppliers of raw materials.</p> <p><i>Hemp / CBD, THC &lt;0.2%</i> - no licence required</p> |

### CONSOLIDATED CAPITALIZATION

As at June 30, 2018, the Corporation had 138,024,481 Common Shares, 20,789,144 common share purchase warrants and 3,881,345 options outstanding. Other than as described below, there have been no material changes in

the consolidated share and loan capital of the Corporation since June 30, 2018, the date of the Corporation's most recent unaudited condensed interim consolidated financial statements:

- On July 5, 2018, the Corporation issued 399,900 Common Shares and 399,900 common share purchase warrants on the exercise of an aggregate of 399,900 previously issued compensation options, another 399,900 Common Shares were issued upon the exercise of these 399,900 common share purchase warrants;
- On July 11, 2018, the Corporation issued 303,290 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;
- On August 9, 2018, the Corporation issued 5,865 Common Shares to the former shareholders of Nanoleaf pursuant to an adjustment clause under the Nanoleaf Acquisition;
- On August 10, 2018, the Corporation issued 23,736,100 August 2018 Special Warrants pursuant to the August 2018 Offering. As consideration for their services in connection with the August 2018 Offering, the agents received 930,680 compensation options, each of which is exercisable into one Common Share and one common share purchase warrant at an exercise price of \$1.60. See "*Summary Description of the Business – Recent Developments*";
- On August 30, 2018, the Corporation issued 7,825 Common Shares on the exercise of 7,825 previously issued common share purchase warrants;
- On September 5, 2018, the Corporation issued 31,250 Common Shares on the conversion of \$50,000 principal amount of convertible debentures;
- On September 6, 2018, the Corporation issued 450,000 Common Shares upon the conversion of \$720,000 principal amount of convertible debentures;
- On September 7, 2018, the Corporation issued 39,375 Common Shares on the exercise of 39,375 previously issued common share purchase warrants;
- On September 13, 2018, the Corporation issued 28,875 Common Shares on the exercise of 28,875 common share purchase warrants;
- On September 13, 2018, the Corporation issued 106,250 Common Shares on the conversion of \$170,000 principal amount of convertible debentures;
- On September 20, 2018, the Corporation issued 10,500 Common Shares on the exercise of 10,500 common share purchase warrants;
- On October 3, 2018, the Corporation granted an aggregate of 6,059,250 options pursuant to the Stock Option Plan of the Corporation;
- On October 5, 2018, the Corporation issued an aggregate of 1,240,231 Common Shares in settlement of a previously granted share-based award to a key management employee; and
- On October 5, 2018, the Corporation issued an aggregate of 23,376,100 Common Shares and 23,376,100 common share purchase warrants pursuant to the deemed exercise of the August 2018 Special Warrants.

See also "*Prior Sales*".

## USE OF PROCEEDS

The net proceeds to the Corporation from the Offering (assuming no exercise of the Over-Allotment Option and that no Units are sold to the President's List Purchasers) are estimated to be \$47,573,625 after deducting the payment of the Underwriters' Commission of \$2,503,875, but before deducting the expenses of the Offering (estimated to be \$350,000). If the Over-Allotment Option is exercised in full, the net proceeds to the Corporation are estimated to be \$54,709,669 after deducting the Underwriters' Commission of \$2,879,456, but before deducting the expenses of the Offering. As at September 30, 2018, the Corporation's cash and working capital balances were approximately \$12.2 million and \$8.2 million, respectively. The Corporation's cash flow used in operations for the nine months ended September 30, 2018 was approximately \$28.4 million.

The net proceeds from the Offering (assuming that the Over-Allotment Option is not exercised and that no Units are sold to the President's List Purchasers) will be used primarily as follows:

| <u>Use of Proceeds</u>  | <u>Allocated Funds</u><br><u>(\$)</u> |
|---|---------------------------------------|
| <b>Phase I Expansion:</b>   |                                       |
| 225,450 sq. ft. facility – lighting, electrical, mechanical, construction | 19,052,700                            |
| Installation of operational and automation equipment                      | 3,447,300                             |
| <b>Phase IIA Expansion:</b>   |                                       |
| 189,000 sq. ft. facility – lighting, electrical, mechanical, construction | 3,804,400                             |
| installation of Phase II operational and automation equipment             | 3,695,600                             |
| rolling, packaging and extraction   | 11,000,000                            |
| Working capital and general corporate purposes:                           | 6,573,625                             |
| <b>Total:</b>   | <b>47,573,625</b>                     |

Although the Corporation intends to use net proceeds of the Offering as stated above, there may be circumstances where, for business and operations reasons, a reallocation of funds may be necessary, as may be determined at the discretion of management of the Corporation. As previously disclosed, consistent with the high level of activity in the sector, and under the direction of the Special Committee, the Corporation has discussed various potential strategic transactions. At the present time, there is insufficient information to provide with respect to potential transactions. The Corporation intends to continue to monitor industry developments and may have further discussions in respect of strategic transactions in the future, but the Corporation can offer no assurance that any transaction would result from any such future discussions. In addition, the Corporation has already disclosed various European initiatives and it continues to explore additional European opportunities and other potential business joint ventures and product supply agreements. See "*Risk Factors*".

The Corporation currently has negative operating cash flow and it is expected that a portion of the net proceeds from the Offering may be used to fund such negative operating cash flow. See "*Risk Factors- Negative Operating Cash Flow*". Pending the use of the proceeds described above, the Corporation may invest all or a portion of the proceeds of the Offering in short-term, high quality, interest bearing corporate, government-issued or government-guaranteed securities.

### **Business Objectives**

The Corporation currently operates at the 42,000 sq. ft. facility at Site 150. The Corporation's near term business objectives consist of a two phase expansion at Site 138 (the "**Expansion**"). Phase I of the Expansion consists of a 225,450 sq. ft. facility expansion at Site 138 that includes a natural gas co-generation facility to produce 4.9 MW of electricity, water cistern, boilers for ambient and water heating, and CO<sub>2</sub> scrubbing equipment to provide additional CO<sub>2</sub> for plants. Management expects the Phase I expansion to be completed in the first quarter 2019. Standard mechanical and final electrical permits will be required.

Phase II of the Expansion consists of two parts, Phase IIA and Phase IIB. Phase IIA consists of a 189,630 square foot facility expansion that includes completion and installation of operational equipment for six smaller vegetation houses and four larger flowering houses, including the internal fit out of the remaining framing, floors, electrical, HVAC, automation and the shell. Phase IIA will also include the installation of operational equipment and is targeted for completion in the third quarter of 2019. Construction permits will be required and new expansion areas

will need to be approved by Health Canada to be added to the Corporation's license through the license amendment application process.

Phase IIB is anticipated to consist of a 526,920 square foot expansion of the facilities at Site 138. Following completion of the Expansion, the Corporation may determine that further expansion plans are necessary in order to execute on its long term business objectives. The charts below summarize the size and anticipated capacity for each phase of the Expansion:

| <b>Phase</b> | <b>Square Feet</b> | <b>Capacity (kg)</b>        |
|--------------|--------------------|-----------------------------|
| Phase I      | 225,450            | Approximately 65,000        |
| Phase IIA    | 189,630            | Approximately 30,000        |
| <b>TOTAL</b> | <b>415,080</b>     | <b>Approximately 95,000</b> |

| <b>Phase</b> | <b>Square Feet</b> | <b>Capacity (kg)</b> |
|--------------|--------------------|----------------------|
| Phase IIA    | 189,630            | Approximately 30,000 |
| Phase IIB    | 526,920            | To be Determined     |
| <b>TOTAL</b> | <b>715,550</b>     |                      |

The following table sets forth an overview of steps involved in executing Phases I and IIA of the Expansion at Site 138 and an estimate of the associated costs.

| <b>Description of Works</b>   | <b>Costs Incurred to Date</b> | <b>Estimated Remaining Costs</b> | <b>Targeted Completion Date</b> |
|---|-------------------------------|----------------------------------|---------------------------------|
| <b>Phase I of the Expansion</b><br><br><i>Construction Items:</i><br>HVAC<br>electrical<br>internal fit out<br>plumbing commissioning<br><br><i>Automation:</i><br>fertigation<br>BAS<br>material handling<br><br><i>Compliance:</i><br>key card access<br>cameras<br>GMP certification<br><br><i>Health Canada certification:</i><br>certification of operations and storage areas<br>certification of cannabis substances and products and related activities | \$49,527,409                  | \$22,472,591                     | January 30, 2019                |
| <b>Phase IIA of the Expansion</b><br><br><i>Infrastructure and Earthwork:</i><br>grading<br>utilities<br>parking lots<br><br><i>Construction Items:</i><br>HVAC<br>electrical<br>internal fit out   | \$8,412,294                   | \$51,323,900                     | Q3 2019                         |

| Description of Works   | Costs Incurred to Date | Estimated Remaining Costs | Targeted Completion Date |
|--|------------------------|---------------------------|--------------------------|
| plumbing<br>commissioning<br>Automation:<br>fertigation<br>BAS<br>material handling<br>Compliance:<br>key card access<br>cameras<br>GMP certification<br>Health Canada certification:<br>certification of operations and storage areas<br>certification of cannabis substances and products and related activities |                        |                           |                          |

Upon completion of the Phase I and Phase IIA of the Expansion, the Corporation targets an annual production capacity of approximately 95,000 kg/year from 415,080 sq. ft. of combined operations. With the Canadian and global cannabis markets rapidly expanding, the Corporation's goal is to bring cultivation expertise and required scale, through the Expansion, to match demand, provided through relationships with some of Canada's largest pharmacy groups and international pharmacy distributors.

In support of its objective, the Corporation also plans to spend a portion of the net proceeds of the Offering on brand development and marketing initiatives for the medical cannabis market and the Canadian recreational cannabis market, if and when legalized. See "*Recent Regulatory Developments*".

The anticipated cash burn for the next 12 months (including operational expenses, capital expenses and working capital, but excluding costs of sales) is approximately \$115 million based on management's current estimates. Management anticipates that the existing, non-contingent cash resources, including the net proceeds of the Offering, can sustain operations for approximately 18 months, excluding capital and discretionary spending, or approximately four months including capital and discretionary spending. These figures do not include anticipated cash inflows from revenues generated by the previously announced supply agreements entered into with distributors in the provinces of British Columbia, Alberta and Manitoba and Ontario, any future financings that the Corporation may undertake or cash inflows from the exercise of outstanding share purchase warrants and stock options. See "*Recent Developments*" and "*Risk Factors – Additional Financings*".

#### *Use of Proceeds from the January 2018 Offering*

As of the date of this Prospectus, the Corporation has used the proceeds from the January 2018 Offering to execute the plan set out in the March 28, 2018 final prospectus with respect of the expansion of the Corporation's Site 138 facility. The Corporation sets forth below how the funds were allocated in the March 2018 prospectus and how such funds have been used to date.

| <u>Use of Proceeds</u>                                | <u>Allocated Funds(\$)</u> | <u>Adjusted Allocation since closing of the January 2018 Offering (\$)</u> |
|---|----------------------------|--|
| Expansion:  |                            |  |
| 630,000 square feet grow facility <sup>(1)</sup>      | 12,000,000                 | 6,027,800  |
| 217,000 square feet grow facility                     | nil                        | 12,707,300   |
| 90,000 square foot production facility <sup>(1)</sup> | 1,500,000                  | nil  |
| Concrete foundations                                  | 7,200,000                  | 721,400  |
| Operational and automation equipment                  | 6,300,000                  | 693,200  |

|   |                   |                   |
|---|-------------------|-------------------|
| Enterprise Resource Planning (ERP) systems  | 1,000,000         | nil               |
| Central utilities plant   | 2,000,000         | 643,000           |
| Brand development and corporate marketing initiatives for medical and recreational markets: | 4,750,000         | 865,200           |
| Haxxon closing payment by Maricann B.V.   | nil               | 2,331,200         |
| Deposit on Naunhof by Maricann GmbH   | nil               | 1,021,800         |
| Subsidiary working capital funding  | nil               | 3,526,900         |
| Working capital and general corporate purposes:   | 3,208,100         | 9,256,200         |
| <b>Total:</b>   | <b>37,794,000</b> | <b>37,794,000</b> |

Note:

- (1) Since the March 28, 2018 final prospectus, the Corporation has amended the plans for the Expansion to encompass an aggregate of 406,000 sq. ft. facility. See "Use of Proceeds – Business Objectives".

*Use of Proceeds from the August 2018 Offering*

As of the date of this Prospectus, the Corporation has used the proceeds from the August 2018 Offering to execute the plan set out in the September 28, 2018 final prospectus with respect of the expansion of the Corporation's Site 138 facility. The Corporation sets forth below how the funds were allocated in the September 2018 prospectus and how such funds have been used to date.

| <u>Use of Proceeds</u>  | <u>Allocated Funds (\$)</u> | <u>Adjusted Allocation since closing of the August 2018 Offering (\$)</u> |
|---|-----------------------------|---|
| <b>Phase I Expansion:</b>   |                             |   |
| 225,450 sq. ft. facility – lighting, electrical, mechanical, construction                   | 8,916,800                   | 8,934,100   |
| Installation of operational and automation equipment  | 5,030,500                   | 30,000  |
| Rolling, packaging and extraction equipment   | 1,140,000                   | 2,515,700   |
| <b>Phase IIA Expansion:</b>   |                             |   |
| 189,000 sq. ft. facility – lighting, electrical, mechanical, construction                   | 12,749,400                  | 4,584,500   |
| installation of Phase II operational and automation equipment                               | 333,300                     | Nil   |
| Brand development and corporate marketing initiatives for medical and recreational markets: | 1,000,000                   | 1,406,500   |
| Deposit on Naunhof by Maricann GmbH   | 3,600,000                   | 3,595,400   |
| Working capital and general corporate purposes:   | 2,523,100                   | 14,226,900  |
| <b>Total:</b>   | <b>35,293,100</b>           | <b>35,293,100</b>   |

With the coming into force of the Cannabis Act on October 17, 2018, the Corporation experienced greater than anticipated orders from the provincial authorities with which it has entered into supply agreements. Consequently, the Corporation has increased production, processing and packaging, which has resulted in an increase in associated expenses. This necessitated a re-allocation of the use of proceeds of the August 2018 reflecting increased costs associated with the acquisition of rolling, packaging and extraction equipment. In addition, the Corporation revised its expectations regarding the timing of receipt of funds from the exercise of convertible securities of the Corporation, which resulted in proceeds designated for Phase I equipment installation and Phase IIA deposits being re-directed to cover the cost of acquiring Phase I oil extraction and packaging equipment. There was also an incremental increase in marketing costs associated with brand awareness and materials in advance of the coming into force of the Cannabis Act and certain funds were redirected to working capital and general corporate purposes that were originally expected to be paid with the secondary source of funds.

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

### Authorized Share Capital

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, which may contain the rights, privileges and restrictions as determined by the board of directors of the Corporation (the "**Board**"). As at the close of business on October 23, 2018, there were a total of 164,500,092 Common Shares issued and no preferred shares issued and outstanding.

### Common Shares

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Corporation and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

### Warrants

The Warrants will be issued pursuant to the terms of the Warrant Indenture. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture, a copy of which is available at [www.sedar.com](http://www.sedar.com) or may be obtained on request without charge from the Corporation at 845 Harrington Court, Unit 3, Burlington, Ontario. A register of holders of Warrants will be maintained at the principal offices of the Warrant Agent in Toronto, Ontario.

Each Warrant will entitle the holder to purchase one Warrant Share at a price of \$2.15 per Warrant Share, subject to adjustment in certain circumstances, by no later than 5:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, after which time the Warrants will expire and become null and void. The Corporation may accelerate the expiry date of the Warrants on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the CSE (or such other exchange on which the Common Shares may trade) be greater than \$3.25 for any 10 consecutive trading days.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than upon exercise of Warrants); (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Warrant Indenture), for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of: (a) securities of any class, whether of the Corporation or any other trust (other than Common Shares), (b) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), (c) evidences of its indebtedness, or (iv) any property or other assets.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications

of the Common Shares or a capital reorganization other than as described above; (ii) consolidations, amalgamations, arrangements, or mergers of the Corporation with or into another entity; or (iii) the sale or conveyance of the property or assets of the Corporation as an entirety or substantially as an entirety to any other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to the Warrant Indenture or in connection with: (i) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation; or (ii) the satisfaction of existing instruments issued at the Closing Date.

The Corporation has agreed that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the holders of Warrants of its intention to fix a record date that is prior to the expiry date of the Warrants for any matter for which an adjustment may be required pursuant to the Warrant Indenture. Such notice is to specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice is to be given, in each case, not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the holders of Warrants of such adjustment computation.

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 shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Corporation and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution proposed at a meeting of holders of Warrants duly convened for that purpose and held in accordance with the provisions of the Warrant Indenture at which there are present in person or by proxy holders of Warrants holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of holders of Warrants holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution. A quorum for such meeting shall consist of holders of Warrants present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants.

## PRIOR SALES

The following table sets out the details concerning the Common Shares, and securities convertible into Common Shares, issued by the Corporation during the 12-month period prior to the date of this Prospectus. See "*Prior Sales*" in the AIF for additional information with respect to issuances of securities of Maricann.

| Date of Issuance | Security                              | Number of Securities | Issue/Exercise Price Per Security |
|------------------|---------------------------------------|----------------------|-----------------------------------|
| October 2, 2017  | Options                               | 250,000              | \$1.52                            |
| October 6, 2017  | Common Shares <sup>(2)</sup>          | 200,000              | \$1.25                            |
| October 13, 2017 | Common Shares <sup>(2)</sup>          | 125,000              | \$1.25                            |
| October 27, 2017 | Convertible Debentures <sup>(3)</sup> | 31,000               | \$1,000                           |
| October 27, 2017 | Warrants <sup>(3)</sup>               | 9,703,000            | \$2.30                            |
| October 27, 2017 | Compensation warrants <sup>(3)</sup>  | 597,493              | \$2.30                            |

| Date of Issuance  | Security                     | Number of Securities | Issue/Exercise Price Per Security |
|-------------------|------------------------------|----------------------|-----------------------------------|
| October 27, 2017  | Common Shares <sup>(4)</sup> | 18,333,319           | N/A                               |
| October 30, 2017  | Common Shares <sup>(1)</sup> | 266,963              | \$1.00                            |
| November 13, 2017 | Common Shares <sup>(2)</sup> | 50,000               | \$1.25                            |
| November 14, 2017 | Common Shares <sup>(1)</sup> | 1,830,600            | \$0.07                            |
| November 15, 2017 | Common Shares <sup>(2)</sup> | 12,500               | \$1.25                            |
| November 22, 2017 | Common Shares <sup>(2)</sup> | 55,000               | \$1.25                            |
| November 23, 2017 | Common Shares <sup>(2)</sup> | 125,000              | \$1.25                            |
| November 23, 2017 | Common Shares <sup>(5)</sup> | 460,000              | N/A                               |
| November 24, 2017 | Common Shares <sup>(2)</sup> | 17,500               | \$1.25                            |
| November 28, 2017 | Common Shares <sup>(2)</sup> | 367,500              | \$1.25                            |
| November 29, 2017 | Common Shares <sup>(2)</sup> | 62,500               | \$1.25                            |
| December 1, 2017  | Common Shares <sup>(2)</sup> | 1,688,000            | \$1.25                            |
| December 1, 2017  | Common Shares <sup>(6)</sup> | 100,200              | \$1.00                            |
| December 4, 2017  | Common Shares <sup>(2)</sup> | 126,000              | \$1.25                            |
| December 5, 2017  | Common Shares <sup>(2)</sup> | 2,500                | \$1.25                            |
| December 6, 2017  | Common Shares <sup>(2)</sup> | 22,500               | \$1.25                            |
| December 6, 2017  | Common Shares <sup>(6)</sup> | 399,900              | \$1.00                            |
| December 6, 2017  | Common Shares <sup>(7)</sup> | 399,900              | \$1.25                            |
| December 6, 2017  | Options                      | 150,000              | \$2.18                            |
| December 7, 2017  | Common Shares <sup>(2)</sup> | 50,000               | \$1.25                            |
| December 7, 2017  | Options                      | 125,000              | \$2.14                            |
| December 11, 2017 | Common Shares <sup>(2)</sup> | 2,500                | \$1.25                            |
| December 14, 2017 | Common Shares <sup>(2)</sup> | 2,015,000            | \$1.25                            |
| December 15, 2017 | Common Shares <sup>(2)</sup> | 6,500                | \$1.25                            |
| December 15, 2017 | Options                      | 3,000,000            | \$2.13                            |
| December 19, 2017 | Common Shares <sup>(2)</sup> | 75,000               | \$1.25                            |
| December 19, 2017 | Options                      | 626,626              | \$2.05                            |
| December 20, 2017 | Common Shares <sup>(2)</sup> | 47,500               | \$1.25                            |

| Date of Issuance  | Security                                      | Number of Securities | Issue/Exercise Price Per Security |
|-------------------|---|----------------------|-----------------------------------|
| December 21, 2017 | Common Shares <sup>(2)</sup>                  | 2,149,500            | \$1.25                            |
| December 21, 2017 | Common Shares <sup>(7)</sup>                  | 100,200              | \$1.25                            |
| December 27, 2017 | Common Shares <sup>(2)</sup>                  | 727,500              | \$1.25                            |
| December 28, 2017 | Common Shares <sup>(2)</sup>                  | 538,500              | \$1.25                            |
| December 28, 2017 | Common Shares <sup>(5)</sup>                  | 334,000              | N/A                               |
| December 29, 2017 | Common Shares <sup>(2)</sup>                  | 917,500              | \$1.25                            |
| January 2, 2018   | Common Shares <sup>(2)</sup>                  | 35,000               | \$1.25                            |
| January 2, 2018   | Warrants <sup>(8)</sup>                       | 87,108               | \$2.87                            |
| January 3, 2018   | Common Shares <sup>(5)</sup>                  | 100,000              | N/A                               |
| January 4, 2018   | Common Shares <sup>(2)</sup>                  | 227,500              | \$1.25                            |
| January 4, 2018   | Common Shares <sup>(9)</sup>                  | 16,589               | \$2.30                            |
| January 5, 2018   | Common Shares <sup>(2)</sup>                  | 67,500               | \$1.25                            |
| January 8, 2018   | Common Shares <sup>(2)</sup>                  | 10,000               | \$1.25                            |
| January 8, 2018   | Options                                       | 280,000              | \$3.39                            |
| January 9, 2018   | Common Shares <sup>(2)</sup>                  | 62,500               | \$1.25                            |
| January 9, 2018   | January 2018 Special Warrants <sup>(10)</sup> | 20,250,000           | \$2.00                            |
| January 9, 2018   | Compensation warrants <sup>(10)</sup>         | 970,950              | \$2.00                            |
| January 10, 2018  | Common Shares <sup>(2)</sup>                  | 487,500              | \$1.25                            |
| January 11, 2018  | Common Shares <sup>(2)</sup>                  | 5,000                | \$1.25                            |
| January 11, 2018  | Common Shares <sup>(2)</sup>                  | 119,000              | \$1.25                            |
| January 15, 2018  | Common Shares <sup>(2)</sup>                  | 111,500              | \$1.25                            |
| January 15, 2018  | Options                                       | 116,385              | \$3.10                            |
| January 16, 2018  | Common Shares <sup>(2)</sup>                  | 62,500               | \$1.25                            |
| January 17, 2018  | Common Shares <sup>(2)</sup>                  | 247,500              | \$1.25                            |
| January 22, 2018  | Common Shares <sup>(5)</sup>                  | 333,000              | N/A                               |
| January 26, 2018  | Common Shares <sup>(1)</sup>                  | 122,040              | \$0.15                            |
| March 7, 2018     | Common Shares <sup>(16)</sup>                 | 219,375              | \$1.60                            |
| March 8, 2018     | Common Shares <sup>(16)</sup>                 | 66,875               | \$1.60                            |

| Date of Issuance  | Security                                       | Number of Securities | Issue/Exercise Price Per Security |
|-------------------|--|----------------------|-----------------------------------|
| March 8, 2018     | Common Shares <sup>(16)</sup>                  | 583,750              | \$1.60                            |
| March 9, 2018     | Common Shares <sup>(16)</sup>                  | 3,820,625            | \$1.60                            |
| March 13, 2018    | Common Shares <sup>(16)</sup>                  | 15,625               | \$1.60                            |
| March 19, 2018    | Common Shares <sup>(16)</sup>                  | 375,000              | \$1.60                            |
| March 27, 2018    | Common Shares <sup>(16)</sup>                  | 37,500               | \$1.60                            |
| April 4, 2018     | Common Shares <sup>(11)</sup>                  | 21,131,250           | N/A                               |
| April 4, 2018     | Common Share purchase warrants <sup>(11)</sup> | 10,565,625           | N/A                               |
| April 20, 2018    | Common Shares <sup>(16)</sup>                  | 62,500               | \$1.60                            |
| May 10, 2018      | Common Shares <sup>(15)</sup>                  | 3,848,505            | N/A                               |
| May 11, 2018      | Common Shares <sup>(16)</sup>                  | 15,625               | \$1.60                            |
| May 14, 2018      | Common Shares <sup>(16)</sup>                  | 31,250               | \$1.60                            |
| May 17, 2018      | Common Shares <sup>(16)</sup>                  | 16,875               | \$1.60                            |
| May 24, 2018      | Common Shares <sup>(16)</sup>                  | 31,250               | \$1.60                            |
| May 25, 2018      | Common Shares <sup>(12)</sup>                  | 483,054              | N/A                               |
| May 25, 2018      | Common Shares <sup>(16)</sup>                  | 15,625               | \$1.60                            |
| June 4, 2018      | Common Shares <sup>(12)</sup>                  | 15,003               | N/A                               |
| June 19, 2018     | Common Shares <sup>(16)</sup>                  | 31,250               | \$1.60                            |
| June 29, 2018     | Common Shares <sup>(12)</sup>                  | 146,392              | N/A                               |
| July 5, 2018      | Common Shares <sup>(13)</sup>                  | 339,900              | \$1.00                            |
| July 5, 2018      | Warrants <sup>(13)</sup>                       | 339,900              | \$1.25                            |
| July 11, 2018     | Common Shares <sup>(12)</sup>                  | 303,290              | N/A                               |
| August 9, 2018    | Common Shares <sup>(12)</sup>                  | 5,865                | N/A                               |
| August 10, 2018   | August 2018 Special Warrants <sup>(14)</sup>   | 23,376,100           | \$1.60                            |
| August 10, 2018   | Compensation options <sup>(14)</sup>           | 930,680              | \$1.60                            |
| August 30, 2018   | Common Shares <sup>(9)</sup>                   | 7,825                | \$2.30                            |
| September 5, 2018 | Common Shares <sup>(16)</sup>                  | 31,250               | \$1.60                            |
| September 6, 2018 | Common Shares <sup>(16)</sup>                  | 450,000              | \$1.60                            |
| September 7, 2018 | Common Shares <sup>(17)</sup>                  | 39,375               | \$2.35                            |

| Date of Issuance   | Security                                       | Number of Securities | Issue/Exercise Price Per Security |
|--------------------|--|----------------------|-----------------------------------|
| September 13, 2018 | Common Shares <sup>(16)</sup>                  | 106,250              | \$1.60                            |
| September 13, 2018 | Common Shares <sup>(17)</sup>                  | 28,875               | \$2.35                            |
| September 20, 2018 | Common Shares <sup>(17)</sup>                  | 10,500               | \$2.35                            |
| October 3, 2018    | Options  | 6,059,250            | \$2.00 - \$3.15                   |
| October 5, 2018    | Common Shares <sup>(18)</sup>                  | 1,240,231            | N/A                               |
| October 5, 2018    | Common Shares <sup>(19)</sup>                  | 23,376,100           | N/A                               |
| October 5, 2018    | Common Share purchase warrants <sup>(19)</sup> | 23,376,100           | N/A                               |

Notes:

- (1) Common Shares issued upon exercise of the Options issued on April 20, 2017.
- (2) Common Shares issued upon exercise of the common share purchase warrants issued on April 20, 2017.
- (3) Issued in connection with the private placement offering of convertible debentures and common share purchase warrants completed on October 27, 2017 (the "**October 2017 Offering**").
- (4) Common Shares issued as consideration in the Nanoleaf Acquisition.
- (5) Common Shares issued in connection with consultant services provided to the Corporation.
- (6) Common Shares issued upon exercise of compensation options issued on April 20, 2017.
- (7) Common Shares issued upon exercise of the common share purchase warrants issued upon exercise of the compensation options issued on April 20, 2017.
- (8) Warrants issued upon the signing of an exclusivity agreement with Rare Dankness, LLC ("**RD**") in consideration of exclusive distribution rights for RD products, exercisable for a two year term. \$250,000 in additional warrants calculated based on the then market price and exercisable at the then market price are issuable on each of the first and second anniversary of the exclusivity agreement with RD.
- (9) Common Shares issued in connection with the exercise of common share purchase warrants issued on October 27, 2017.
- (10) Special warrants and compensation warrants issued in connection with the January 2018 Offering.
- (11) Common Shares and common share purchase warrants issued in connection with the January 2018 Offering.
- (12) Common Shares issued as partial consideration for the Nanoleaf Acquisition;
- (13) Common Shares and common share purchase warrants issued on exercise of compensation options issued on April 20, 2017;
- (14) Issued in connection with the August 2018 Offering.
- (15) Issued as partial consideration for the Haxxon Acquisition.
- (16) Common Shares issued upon conversion of the convertible debentures issued in connection with the October 2017 Offering.
- (17) Common Shares issued in connection with the exercise of common share purchase warrants issued in connection with the January 2018 Offering.
- (18) Common Shares issued in partial settlement of a share-based award granted to Ben Ward in August and October 2016.
- (19) Common Shares and common share purchase warrants issued in connection with the August 2018 Offering.

### TRADING PRICE AND VOLUME

The Common Shares are currently listed on the CSE under the trading symbol "WAYL". The Common Shares are also posted for trading under the symbol "MRRCF" on the OTCQB and on the Frankfurt Stock Exchange under the symbol "75M". The following table sets forth the reported intraday high and low prices and the trading volume for the Common Shares on the CSE on a monthly basis for the 12-month period preceding the date of this Prospectus.

| Month              | High (\$) <sup>(1)</sup> | Low (\$) <sup>(1)</sup> | Volume <sup>(2)</sup> |
|--------------------|--------------------------|-------------------------|-----------------------|
| October 1-23, 2018 | 2.01                     | 1.38                    | 22,213,588            |
| September 2018     | 2.64                     | 1.92                    | 30,729,198            |

| Month          | High (\$) <sup>(1)</sup> | Low (\$) <sup>(1)</sup> | Volume <sup>(2)</sup> |
|----------------|--------------------------|-------------------------|-----------------------|
| August 2018    | 2.07                     | 1.38                    | 17,624,829            |
| July 2018      | 1.74                     | 1.41                    | 10,101,579            |
| June 2018      | 2.01                     | 1.61                    | 17,364,785            |
| May 2018       | 2.09                     | 1.53                    | 19,415,556            |
| April 2018     | 1.97                     | 1.44                    | 24,168,026            |
| March 2018     | 2.91                     | 1.74                    | 37,832,346            |
| February 2018  | 3.50                     | 1.70                    | 50,414,210            |
| January 2018   | 4.48                     | 2.61                    | 70,478,252            |
| December 2017  | 2.77                     | 1.95                    | 31,156,933            |
| November 2017  | 2.70                     | 1.32                    | 29,110,972            |
| October 2017   | 1.73                     | 1.18                    | 10,725,094            |
| September 2017 | 1.53                     | 1.04                    | 8,260,906             |

Notes:

- (1) High and low daily trading prices in the month.
- (2) Total volume traded in the month.

#### PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Corporation has agreed to sell and the Underwriters have agreed to severally, and not jointly or jointly and severally, purchase, as principals, on the Closing Date, 30,350,000 Units at a price of \$1.65 per Unit, for aggregate gross consideration of \$50,077,500 payable in cash to the Corporation against delivery of the Units. The Offering Price has been determined by arm's length negotiation between the Corporation and the Lead Underwriter, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares. The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of "disaster out", "material change out", "regulatory out" and "breach out" provisions in the Underwriting Agreement and may also be terminated upon the occurrence of certain other stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement.

Each Unit will consist of one Unit Share and one-half of one Warrant. Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of \$2.15 for a period of 36 months following the Closing Date. If, following the closing of the Offering, the volume weighted average price of the Common Shares on the CSE exceeds \$3.25 for any 10 consecutive trading days, the Corporation may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to a date that is not less than 30 days following the date of such notice. The Warrants will be created and issued pursuant to the terms of the Warrant Indenture. See "*Description of Securities Being Distributed*".

The Underwriters have been granted the Over-Allotment Option, exercisable, in whole or in part, at the sole discretion of the Underwriters, until the Over-Allotment Deadline to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised, at the Lead Underwriter's sole discretion, to acquire: (i) up to 4,552,500 Over-Allotment Units at the Offering Price; (ii) up to 4,552,500 Over-Allotment Shares at the Over-Allotment Share Price; (iii) up to 2,276,250 Over-Allotment Warrants at the Over-Allotment Warrant Price; or (iv) any combination of Over-Allotment Units at the Offering Price, Over-Allotment Shares at the Over-Allotment Share Price and Over-Allotment Warrants at the Over-Allotment Warrant Price, provided that the aggregate number of Over-Allotment Shares which may be issued under the Over-Allotment Option does not exceed 4,552,500 and the aggregate number of Over-Allotment Warrants which may be issued

under the Over-Allotment Option does not exceed 2,276,250. The Over-Allotment Option is exercisable by the Lead Underwriter, giving notice to the Corporation prior to the Over-Allotment Deadline, which notice shall specify the number of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants to be purchased. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants 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.

In consideration for the services provided by the Underwriters in connection with the Offering, and pursuant to the terms of the Underwriting Agreement, the Corporation has agreed to pay the Underwriters the Underwriters' Commission equal to 5% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option); provided the Underwriters' Commission in respect of the gross proceeds derived from sales of Units to President's List Purchasers shall be reduced to 2.5%. The Underwriters will also receive, as additional compensation, Compensation Options to purchase that number of Units equal to 5% of the Units sold pursuant to the Offering (including any Over-Allotment Units), other than with respect to purchases by President's List Purchasers, in which case the number of Compensation Options will be reduced to 2.5%. No Units have been sold to President's List Purchasers in the Offering. Each Compensation Option is non-transferable and exercisable to acquire one CW Unit at a price of \$1.65 per CW Unit, until 5:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, subject to adjustment in certain events. Each CW Unit consists of one CW Share and one-half of one CW Warrant. Each CW Warrant is exercisable to acquire one CW Warrant Share at a price of \$2.15 per CW Warrant Share, until 5:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, subject to adjustment in certain events. The Compensation Options are qualified by this Prospectus.

The Offering is being made in each of the provinces of Canada (other than Quebec). The Units will be offered in each of the relevant provinces of Canada through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Units may be offered and sold in the United States or to U.S. Persons and in other jurisdictions outside of Canada and the United States as agreed between the Corporation and the Underwriters.

The Corporation has given notice to the CSE to list the Unit Shares, the Warrants, the Warrant Shares, the CW Shares, the CW Warrants and the CW Warrant Shares on the CSE. Listing will be subject to the Corporation fulfilling all listing requirements of the CSE.

The Underwriters have reserved the right to form a selling group of appropriately registered dealer and brokers, with compensation to be negotiated between the Underwriters and such selling group participants, but at no additional cost to the Corporation.

The Offering Price was determined based on arm's length negotiations between the Corporation and the Lead Underwriter, on its own behalf and on behalf of the Underwriters. Among the factors considered in determining the Offering Price were the market price of the Common Shares, prevailing market conditions, the historical performance and capital structure of the Corporation, the Lead Underwriter's estimates of the business potential of the Corporation, the availability of comparable investments, an overall assessment of management of the Corporation and the consideration of the foregoing factors in relation to market valuation of companies in related businesses.

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the offering price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Corporation.

Pursuant to the Underwriting Agreement, the Corporation has agreed, for the period of 90 days following the Closing Date, not to, without the prior written consent of the Lead Underwriter, on its own behalf and on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter

into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements, provided such stock options and other similar issuances are not granted or issued with an exercise price that is less than the Offering Price; (ii) the exercise of outstanding warrants; (iii) obligations of the Corporation in respect of existing agreements; or (iv) the issuance of securities by the Corporation in connection with acquisitions in the normal course of business.

The Corporation has also agreed to use commercially reasonable efforts to cause each of the Corporation's senior officers and directors and any of their associates to enter into a lock-up undertaking in favour of the Underwriters, in the form agreed upon by the Corporation and the Underwriters, pursuant to which such person shall agree not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation for a period of 90 days after the Closing Date, without the prior written consent of the Lead Underwriter, on its own behalf and on behalf of the Underwriters (such consent not to be unreasonably withheld or delayed), other than in order to accept a bona fide take-over bid made to all securityholders of the Corporation or similar business combination transaction.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions including: (a) 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, (b) 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 (c) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. Consistent with these requirements, and in connection with this distribution, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on the CSE, in the over-the-counter market or otherwise.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about October 31, 2018, or such other date as may be agreed upon by the Corporation and the Underwriters, but in any event no later than 42 days after the date of the receipt of the (final) short form prospectus. It is anticipated that the Units will be delivered under the book-based system through CDS or its nominee and deposited in electronic form. A purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Unit Shares on behalf of owners who have purchased Units in accordance with the book-based system. No certificates will be issued unless specifically requested or required.

Pursuant to the terms of the Underwriting Agreement, the Corporation has agreed to reimburse the Underwriters for certain expenses incurred in connection with the Offering and to indemnify the Underwriters and their directors, officers, employees, and agents against, certain liabilities and expenses and to contribute to payments the Underwriters may be required to make in respect thereof.

Any Units offered hereby have not been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly the Units may not be offered or sold in the United States (if at all) or to, or for the account or benefit of, persons within the United States or U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any of the Units to, or for the account or benefit of, persons within the United States or U.S. Persons. The Underwriters may offer and resell the Units that they have

acquired pursuant to the Underwriting Agreement in the United States to persons who are "qualified institutional buyers", as such term is defined in Rule 144A under the U.S. Securities Act ("**Qualified Institutional Buyers**"), in compliance with Rule 144A under the U.S. Securities Act and applicable United States state securities laws. The Underwriters will offer and sell the Units outside the United States 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 of the Units offered under the Offering in the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

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 Corporation a written opinion of counsel, in form and substance satisfactory to the Corporation; provided, however, that a Qualified Institutional Buyer that purchased the Warrants from the Underwriters pursuant to the Rule 144A under the U.S. Securities Act for its own account, or for the account of another Qualified Institutional Buyer for which it exercised sole investment discretion with respect to such original purchase (an "**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 Original Beneficial Purchaser, if any, if each of it and such Original Beneficial Purchaser, if any, was a Qualified Institutional Buyer at the time of its purchase and exercise of the Warrants.

The Unit Shares and the Warrants comprising the Units offered hereby 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.

Terms used and not defined in the three preceding paragraphs shall have the meanings ascribed thereto by Regulation S under the U.S. Securities Act.

#### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fogler, Rubinoff LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Underwriters, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") generally applicable to a purchaser who acquires Units pursuant to this Offering. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to persons who, for the purposes of the application of the Tax Act and at all relevant times: (i) deal at arm's length and are not affiliated with the Corporation or the Underwriters; and (ii) holds the Common Shares and Warrants as capital property. Persons meeting such requirements are referred to as a "**Holder**" or "**Holder**s" herein, and this summary only addresses such Holders. Common Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

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

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

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

#### *Allocation of Purchase Price*

A Holder who acquires Units will be required to allocate the purchase price of each Unit between the Unit Share and the one-half of one Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. For its purposes, the Corporation has advised counsel that, of the \$1.65 subscription price for each Unit, it intends to allocate \$1.57 to each Unit Share and \$0.08 to each one-half of one Warrant and believes that such allocation is reasonable. The Corporation's allocation; however, is not binding on the CRA or a Holder.

#### *Adjusted Cost Base of Unit Shares*

A Holder's initial adjusted cost base of the Holder's Unit Shares acquired pursuant to this Offering will be determined by averaging the cost of those Unit Shares with the Holder's adjusted cost base of all other Common Shares owned by the Holder as capital property immediately before the acquisition.

#### *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 "*Taxation of Capital Gains and Capital Losses*".

#### **Holders Resident in Canada**

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

#### *Dispositions of Common Shares and Warrants*

Upon a disposition or deemed disposition of a Common Share or a Warrant (other than a disposition arising on the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Resident Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Resident Holder

immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading "*Taxation of Capital Gains and Capital Losses*".

#### *Taxation of Capital Gains and Capital Losses*

Generally, a Resident Holder is required to include in computing 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 the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

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

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

#### *Dividends*

Dividends received or deemed to be received by a Resident Holder on the Common Shares will be included in computing the Resident Holder's income for purposes of the Tax Act. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation provides notice to the recipient designating the dividend as an "eligible dividend" for purposes of the Tax Act. There may be limitations on the ability of the Corporation to designate dividends as "eligible dividends".

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

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

#### *Alternative Minimum Tax*

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

#### **Holders Not Resident in Canada**

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

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

#### *Dividends*

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

#### *Dispositions of Common Shares and Warrants*

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

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

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

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Fogler, Rubinoff LLP, counsel to the Corporation, and DLA Piper (Canada) LLP, counsel to the Underwriters, based on the current provisions of the Tax Act and the Regulations, each of the Unit Shares, Warrant Shares and Warrants, if issued on the date hereof, would be a "qualified investment" under the Tax Act for a trust governed by a "registered retirement savings plan", a "registered retirement income fund", a "registered disability savings plan", a "registered education savings plan", and a "tax-free savings account" (collectively, "**Registered Plans**") and a "deferred profit sharing plan" ("**DPSP**"), all as defined in the Tax Act, provided that the Unit Shares and the Warrant Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the CSE) and, provided further that in the case of the Warrants, the Corporation is not, and deals at arms' length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan or DPSP and any person who does not deal at arm's length with that person.

Notwithstanding the foregoing, if a Unit Share, Warrant Share or Warrant is a "prohibited investment" for a Registered Plan for the purposes of the Tax Act, the annuitant or subscriber under, or the holder of, the Registered Plan (as applicable) (the "**Controlling Individual**") may be subject to a penalty tax under the Tax Act. A Unit Share, Warrant Share or Warrant will not be a prohibited investment, provided that the applicable Controlling

Individual: (i) deals at arm's length with the Corporation for the purposes of the Tax Act; and (ii) does not have a "significant interest" in the Corporation (within the meaning of the Tax Act). Generally, a Controlling Individual will not have a significant interest in the Corporation, provided that the Controlling Individual, together with the persons with whom the holder Controlling Individual does not deal at arm's length, does not own, and is not deemed to own pursuant to the Tax Act, directly or indirectly, 10% or more of the issued shares of any class in the capital of the Corporation or of any other corporation that is related to the Corporation for the purposes of the Tax Act. In addition, the Unit Shares and the Warrant Shares will not be a prohibited investment for a Registered Plan if such securities are "excluded property" for such Registered Plan for the purposes of the Tax Act, as applicable. **Persons who intend to hold Unit Shares, Warrant Shares or Warrants in a trust governed by a Registered Plan should consult their own tax advisors with respect to the application of these rules in their particular circumstances.**

## RISK FACTORS

Investors should carefully consider the risks set out below and other information contained in or incorporated by reference in this short form prospectus, including those risks contained in the AIF under the heading "*Risk Factors*". The operations of the Corporation are highly speculative and notably involve risks inherent to the cannabis industry and the markets in which the Corporation's business operates. The risks and uncertainties set out below relating to the Offering and the additional risks and uncertainties incorporated by reference herein are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the Corporation's operations. If any of the risks actually occur, the Corporation's business, operating results and financial condition could be materially adversely affected. As a result, the trading price of the Common Shares could decline and investors could lose part or all of their investment. The Corporation's business is subject to significant risks and past performance is no guarantee of future performance.

### Certain Risks Related to the Offering

#### *Use of Proceeds*

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "*Use of Proceeds*" in this Prospectus. However, management will have discretion in the actual application of the net proceeds and may elect to allocate proceeds differently from as described under "*Use of Proceeds*" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the Corporation's business, operating results and financial condition.

#### *Additional Financing*

Depending on its ability to achieve its goals, the Corporation may need to raise further equity and/or debt financing to fund the completion of its expansion plans, deployment of its products on a global stage and the expansion of its client base. The success and the pricing of any such equity and/or debt financing will be dependent upon the prevailing market conditions at that time. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Corporation. Any debt financing, if available, may involve financial covenants which limit the Corporation's operations. If the Corporation requires additional capital and is unable to obtain it, there may be a possibility that it will not be able to complete the full deployment of its solutions and the full implementation of its business plan, which would have a materially adverse effect on its business, operating results and financial condition.

#### *Market Price of Securities*

There can be no assurance that an active market for the Common Shares or Warrants will be sustained after the Closing Date or the Qualification Date. Securities of small-cap and mid-cap companies have experienced substantial volatility in the recent past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Corporation's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the

Corporation that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Corporation. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

#### *Dilution to Common Shares*

The increase in the number of Common Shares issued and outstanding as a result of the exercise of Warrants, and the sale of the Common Shares, Warrants and Warrant Shares thereafter, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares and Warrant Shares, the voting power of the Corporation's existing shareholders will be diluted.

#### *Negative Operating Cash Flow*

The Corporation reported negative cash flow from operations for the year ended December 31, 2017 and for the three and six month periods ended June 30, 2018. It is anticipated that the Corporation will continue to report negative operating cash flow in future periods. It is expected that a portion of the net proceeds from the Offering will be used for working capital to fund negative operating cash flow. See "*Use of Proceeds*".

#### *Inability to Enforce Legal Rights*

One director of the Corporation, Gerhard Müller, resides outside of Canada, in Germany. Although he has appointed Fogler, Rubinoff LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him. The Corporation has subsidiaries are organized under the laws of foreign jurisdictions. Given that the Corporation has and plans to own certain assets that are or will be located outside of Canada, investors may have difficulty in enforcing against foreign assets of the Corporation, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

#### *No Market for the Warrants*

There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants acquired pursuant to the Offering. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. An investment in the Common Shares, the Warrants and the Warrant Shares should only be made by those persons who can afford the loss of their entire investment.

#### *A positive return in an investment in the Common Shares or the Warrants is not guaranteed*

There is no guarantee that an investment in the Common Shares or the Warrants will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need

for immediate liquidity in their investment. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

#### *Shareholders Rights*

Holders of 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 as set out in the Warrant Indenture), but if a holder of Warrants subsequently exercises its Warrants 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 Corporation delivers Common Shares upon the exercise of a Warrant.

### **Certain Risks Related to the Business of the Corporation**

#### *Reliance on Licenses and Renewals*

The Corporation's ability to grow, store and sell marijuana in Canada is dependent on maintaining and obtaining the required licenses from Health Canada. The licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licenses or any failure to maintain the licenses would have a material adverse impact on the business, financial condition and operating results of the Corporation. Although management believes it will meet the requirements of the Cannabis Regulations annually for extension of the licenses, there can be no guarantees that Health Canada will extend or renew the Corporation's licenses as necessary, of, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licenses or renew or extend the licenses on different terms, the business, financial condition and results of operation of the Corporation would be materially adversely affected. In addition, the Corporation has applied to Health Canada for a license to sell encapsulated cannabis oil. Although management believes it will meet the requirements for the grant of such license, there can be no assurances that Health Canada will grant such license, and that, if granted, it will continue to renew such license as necessary.

On January 19, 2017, the German parliament passed legislation that legalized medical cannabis and included provisions for medical cannabis treatment expenses to be covered by health insurance. Given the Corporation's effort in expansion into the German market, the growth of the business internationally is also dependent on receiving the license rights from the corresponding German government authorities. On July 17, 2018, the Corporation announced that the Malta Enterprise (the country's official economic development agency and the government entity responsible for cannabis licenses) had approved the Corporation's application to establish a business in Malta to manufacture finished dose medical cannabis.

There is no guarantee that the Corporation will be successful in obtaining such approvals or maintaining such approvals, if granted. If such approvals are not obtained, then the Corporation will not be able to execute on certain aspects of its business plan which may have a negative impact on the Corporation.

#### *Medical Cannabis Industry in Canada is a Relatively New Industry*

As a Licensed Producer, the Corporation is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of restrictions on sales and marketing or restrictions on sales in certain areas, and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

#### *Regulatory Risks*

Achievement of the Corporation's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the

sale of its products. The Corporation cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, the Corporation cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

The Corporation will incur ongoing costs and obligations related to regulatory compliance, including regulations relating to continuous disclosure and other applicable securities laws. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Corporation's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation'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 Corporation.

#### *Changes in Canadian laws, Regulations and Guidelines*

The Corporation's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation may cause adverse effects business, financial condition and results of operations of the Corporation. The Corporation endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Corporation's knowledge, the Corporation is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use. On June 18, 2018, the Canadian Federal Government passed the Cannabis Act, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The Cannabis Act came into force on October 17, 2018.

The Cannabis Act came into force on October 17, 2018. The Cannabis Act prohibits testimonials, lifestyle branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Corporation's business, financial condition and results of operation. The legislative framework pertaining to the Canadian adult-use cannabis market is uncertain. In addition, the governments of every Canadian province and territory have, to varying degrees, announced regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces and territories, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Corporation currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect of the Corporation's business, financial condition and results of operation.

#### *Acquisition and Development Risks*

The Corporation expects to selectively seek strategic acquisitions. The Corporation's ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on the Corporation's resources and, to the extent necessary, the Corporation's ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose the Corporation to additional risks including difficulties in integrating administrative, financial reporting, operational and information systems and managing newly acquired operations and improving their operating efficiency, difficulties in maintaining uniform standards, controls, procedures and policies through all of the Corporation's operations, entry into markets in which the Corporation has little or no direct experience; difficulties in retaining key employees of

the acquired operations; and disruptions to the Corporation's ongoing business. In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities to the Corporation. The Corporation may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. The Corporation's failure to effectively address any of these issues could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows in the future.

*International operations will result in increased operational, regulatory and other risks.*

The Corporation may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of its operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Corporation to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Corporation may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with its existing operations.

*Risks Associated with the Corporation's Failure to Manage its Growth Effectively*

The Corporation's growth has placed and may continue to place significant demands on its management and its operational and financial infrastructure. As its operations grow in size, scope and complexity and as the Corporation identifies and pursues new opportunities, the Corporation may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise). In addition, the Corporation will need to effectively execute on business opportunities and continue to build on and deploy its corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisition and to capitalize on other growth opportunities may redirect the limited resources of the Corporation and require expansion of its infrastructure. This will require the Corporation to commit financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance the Corporation will be able to respond adequately or quickly enough to the changing demands that material expansion will impose on management, team members and existing infrastructure, and changes to the Corporation's operating structure may result in increased costs or inefficiencies that it cannot anticipate. Changes as the Corporation grows may have a negative impact on the Corporation's operations, and cost increases resulting from the Corporation's inability to effectively manage its growth could adversely impact its profitability. In addition, continued growth could also strain the Corporation's ability to maintain reliable service levels for its clients, develop and approve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly-skilled personnel. With the coming into force of the Cannabis Act on October 17, 2018, the Corporation, together with many other licenced producers, experienced greater than anticipated demand from the provincial authorities with which it has entered into supply agreements. If demand continues at current levels the Corporation will have difficulty filling all orders from the provincial authorities. The Corporation believes that once its planned expansions described in this Prospectus are completed (combined with supplemental short term supply agreements currently being sourced) it will be in a better position to satisfy such orders but given the timing of such expansions there may be an extended period of time when demand is in excess of the Corporation's ability to supply product. Failure to effectively manage growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact the Corporation's business performance and results of operations.

*Reliance on Third Party Transportation*

In order for customers of the Corporation to receive their product, the Corporation will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Corporation. Any delay by third party transportation services may adversely affect the Corporation's financial performance. Moreover, security of the product during transportation to and from the Corporation's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Corporation's business, financials and prospects. Any such breach could impact the Corporation's future ability to continue operating under its licences or the prospect of renewing its licences.

### *Product Liability*

As a manufacturer and distributor of products designed to be ingested by humans, the Corporation 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 manufacture and sale of the Corporation's products involves 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 the Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, 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 the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Corporation. There can be no assurances that the Corporation 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 the Corporation's potential products.

### *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 labelling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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 the Corporation has detailed procedures in place for testing finished 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 the Corporation's significant brands were subject to recall, the image of that product and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### *Potential General Litigation*

The Corporation may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. For example, the Corporation has received an amended statement of claim from a financial advisory firm which alleges that the Corporation has breached a right of first refusal under an advisory agreement entered between the Corporation and the claimant as a result of entering into certain equity offerings. The claimant claims damages in excess of \$3,000,000 and ownership to certain compensation warrants. The Corporation filed a statement of defense dated February 8, 2018 and intends to vigorously defend the claim.

Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources and may create a negative perception of the Corporation's brand.

### *Competition*

The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Corporation and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis

market in which the Corporation operates. In particular, the number of Licensed Producers is set to increase to meet the demand of the recreational market, which could negatively impact the Corporation's market share and demand for products.

There is potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

The Corporation also faces competition from illegal marijuana dispensaries that are selling marijuana to individuals despite not having a valid license under the Cannabis Regulations.

If the number of users of marijuana in Canada increases, the demand for products will increase and the Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation 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 operations of the Corporation.

As well, the legal landscape for medical and recreational marijuana is changing internationally. An increasing number of jurisdictions globally are passing laws that allow for the production and distribution of medical and/or recreational marijuana in some form or another. The Corporation has some international partnerships in place, which may be affected if more countries legalize medical and/or recreational marijuana. Increased international competition might lower the demand for the Corporation's products on a global scale.

#### *Reliance on the Main Facility*

The Corporation's activities and resources have been primarily focused on its main facility at Site 150 in Langton, Ontario until Site 138 is fully operational. Adverse changes or developments affecting these facilities, including, but not limited to, municipal laws regarding rezoning, facility design errors, environmental pollution, equipment or process failures, production errors, major incidents/catastrophic events (for example, fires, earthquakes and storms), could have a material adverse effect on the Corporation's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Corporation's ability to continue operating under its licenses or the prospect of renewing its licenses.

Maricann occupies Site 150 pursuant to a lease. Adverse changes or developments affecting the Site 150 lease, including, but not limited to, breaches to or termination of the Site 150 lease by Maricann or the Site 150 landlord, could have a material adverse effect on the Corporation's business, financial condition and prospects.

#### *Risks Inherent in the Agricultural Business*

The Corporation's business involves the growing of marijuana, 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 the Corporation expects that any such growing will 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.

#### *Intellectual Property*

Unauthorized parties may attempt to replicate or otherwise obtain and use the Corporation's products and technology. Policing the unauthorized use of the Corporation's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Corporation may be unable to effectively monitor and evaluate the products being distributed by its

competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Corporation's trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Corporation, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Corporation's trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Corporation.

In addition, other parties may claim that the Corporation's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Corporation may need to obtain licenses from third parties who allege that the Corporation has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Corporation or at all. In addition, the Corporation may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

#### *Risks of Foreign Operations*

The Corporation's strategy is to consider exporting its expertise and technologies to foreign countries. Working outside of Canada gives rise to the risk of dealing with business and political systems that are different than what contractors are accustomed to in Canada. As a result, the Corporation has hired employees who have experience working in the international arena (including Germany, Switzerland and Malta) and it is committed to recruiting qualified resident nationals on the staff of all of its international operations. The potential risks include: expropriation or nationalization; civil insurrection; labour unrest; strikes and other political risks; fluctuations in foreign currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations of foreign based companies.

#### *Maltese Operations*

The Corporation's Maltese operations are subject to a number of uncertainties including the issuance of a license by the Medicinal Authority in Malta. There are a number of factors set out in the table under the heading "*Activities Outside of Canada*" that may affect the Corporation's ability to commence operations in Malta. The impact of the Corporation's inability to effectively or efficiently commence its operations in Malta may have an adverse effect on the financial results of the Corporation.

#### *Reliance on International Advisors and Consultants*

The legal and regulatory requirements in the foreign countries in which the Corporation operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Corporation's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Corporation's business operations, and to assist with governmental relations. The Corporation must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Corporation also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labor, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Corporation's business.

#### *Environmental Regulations and Risks*

The Corporation's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

Government approvals and permits are currently and may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from its proposed production of marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of marijuana, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

#### *Constraints on Marketing Products*

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Corporation's ability to conduct sales and marketing activities and could have a material adverse effect on the Corporation's business, operating results or financial condition.

#### *Uninsured or Uninsurable Risk*

The Corporation may be subject to liability for risks against which it cannot insure or against which the Corporation may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Corporation's normal business activities. Payment of liabilities for which the Corporation does not carry insurance may have a material adverse effect on the Corporation's financial position and operations.

#### *Sufficiency of Insurance*

The Corporation maintains various types of insurance which may include product liability insurance, errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against the Corporation in excess of available coverage could have a material adverse effect on the Corporation in terms of damages awarded and the impact and reputation of the Corporation.

#### *Unfavourable Publicity or Consumer Perception*

The Corporation believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Corporation's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation'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 the Corporation, the demand for products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Corporation's products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

#### *Reliance on Key Personnel*

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a negative impact on the Corporation's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of importance to the Corporation. As discussed under "*Additional Information*", the OSC (as defined herein) has advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a Corporation wholly unrelated to the Corporation. The outcome of this investigation and the review is not known and there is no assurance that it will not have negative impacts on Mr. Ward's role as an officer and director of the Corporation, on the Corporation and/or on the public perception of the Corporation. Public companies in the cannabis sector are highly regulated and any negative outcome in respect of the foregoing investigation and/or reviews may require changes to the composition of management and/or the board of directors of the Corporation and/or its subsidiaries. In addition, the competition for qualified personnel in the industry is extremely competitive and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

*Investors in the Corporation and its directors, officers and employees may be subject to entry bans into the United States.*

Because cannabis remains illegal under United States federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with cannabis businesses. Entry happens at the sole discretion of United States Customs and Border Protection ("**CBP**") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States 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 United States 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 U.S. 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 the Corporation), who are not United States 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.

#### *Adverse Media Coverage*

The Corporation has recently been subject to negative media coverage. This negative media coverage may impact some of the Corporation's business relationships and may result in the Corporation having difficulties securing, or failing to secure, future business opportunities, and/or current business partners of the Corporation reducing their levels of engagement with, and support of, the Corporation, or terminating, or seeking to terminate, their agreements

with the Corporation. Any such events may result in a material adverse effect on the business and/or prospects of the Corporation.

### **MATERIAL CONTRACTS**

The following are the only material contracts, other than those entered into in the ordinary course of business, which the Corporation has entered into since the beginning of the last financial year before the date of this Prospectus, entered into prior to such date but which contract is still in effect:

- (a) the debenture indenture dated as of October 27, 2017 between the Corporation and TSX Trust Company entered into in connection with the October 2017 Offering;
- (b) the warrant indenture dated as of October 27, 2017 between the Corporation and TSX Trust Company entered into in connection with the October 2017 Offering;
- (c) the warrant indenture dated as of January 9, 2018 between the Corporation and TSX Trust Company entered into in connection with the January 2018 Financing;
- (d) the Site 150 Lease;
- (e) the cannabis licenses (#804, 808 and 941) issued by Health Canada;
- (f) the special warrant indenture dated August 10, 2018 between the Corporation and TSX Trust Company entered into in connection with the August 2018 Offering;
- (g) the warrant indenture dated August 10, 2018 between the Corporation and TSX Trust Company entered into in connection with the August 2018 Offering;
- (h) the supply agreement with Cannamedical Pharma GmbH dated October 12, 2018 referred to in "*Summary Description of the Business – Recent Developments*";
- (i) the sales license issued by Health Canada referred to in "*Summary Description of the Business – Recent Developments*";
- (j) the Warrant Indenture; and
- (k) the Underwriting Agreement.

### **INTEREST OF EXPERTS**

The auditors of Danbel, HS & Partners LLP, Chartered Professional Accountants, have audited the annual financial statements of Danbel for the year ending December 31, 2016. Prior thereto, Ernst & Young LLP were the auditors of Danbel and audited Danbel's annual financial statements for the year ended December 31, 2015. HS & Partners LLP, Chartered Professional Accountants is independent within the meaning of the Chartered Professional Accountants Handbook of Ontario. As of the date of this Prospectus, HS & Partners LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

The auditors of NanoLeaf, MNP LLP, Chartered Professional Accountants, have also audited the financial statements of NanoLeaf for the period ended September 30, 2017. MNP LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. As of the date of this Prospectus, MNP LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

Ernst & Young LLP, Chartered Accountants audited the financial statements of Maricann for the years ending December 31, 2017 and December 31, 2016 and were independent within the meaning of the Chartered Professional Accountants Handbook of Ontario to the date of their resignation on May 16, 2018.

The Corporation has appointed MNP LLP as its auditor and MNP LLP has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. As of the date of this Prospectus, MNP LLP, Chartered Accountants did not own or have any registered or beneficial interests, direct or indirect, in any securities or the property of the Corporation.

Certain legal matters relating to this Offering will be passed upon on behalf of the Corporation by Fogler, Rubinoff LLP. DLA Piper (Canada) LLP is the Underwriters' counsel with respect to the "*Canadian Federal Income Tax Considerations*" and "*Eligibility for Investment*" sections herein. As at the date of this Prospectus, the partners and associates of Fogler, Rubinoff LLP and DLA Piper (Canada) LLP own, each as a group, directly or indirectly, less than one percent of the outstanding securities of the Corporation or of any associate or affiliate of the Corporation.

#### **ADDITIONAL INFORMATION**

By letter dated February 8, 2018, Staff of the OSC advised that Ben Ward is the subject of an investigation into his activities while he was CEO of Canadian Cannabis Corp., a company wholly unrelated to the Corporation. Prior to this, the Corporation was unaware of the matter. The Corporation remains unaware of any facts that could reasonably lead it to conclude that this investigation has had, or will have, any impact on the ability of Mr. Ward to properly and effectively carry out his duties as CEO or director of the Corporation. Mr. Ward has advised the Corporation that he is subject to confidentiality restrictions relating to the investigation. The Corporation is also advised by Mr. Ward that he continues to fully cooperate with the investigation and that he believes that he has acted at all times in a manner that is compliant with applicable securities law.

On September 28, 2018, the Corporation's counsel was advised that the investigations and enquiries of the Enforcement Branch of the OSC into the timing and reporting of certain trades in securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by Raymond Stone, Neil Tabatnik and persons directly or indirectly related to Eric Silver or, in each case, their respective associates and affiliates, that were effected prior to the announcement of the Bought Deal Offering have been concluded, the file has been closed, and no further action will be taken.

The special committee of independent directors established by the Board (the "**Special Committee**") has completed its review of the foregoing trades and the OSC investigation involving Mr. Ward, and it has made recommendations to the Board on appropriate steps to be taken in response.

As previously disclosed, consistent with the high level of activity in the sector, and under the direction of the Special Committee, the Corporation has discussed various potential strategic transactions. In the course of these discussions, the Corporation has received proposals from potential interested parties. The Corporation has entered into non-disclosure agreements with certain of these parties and such parties have conducted due diligence in respect of the Corporation. The Corporation is not in active discussions with or settled definitive terms or entered into any binding agreements with these parties. The Corporation intends to continue to monitor industry developments and may have further discussions in respect of strategic transactions in the future, but the Corporation can offer no assurance that any transaction would result from any such future discussions. In addition, the Corporation has already disclosed various European initiatives and it continues to explore additional European opportunities and other potential business joint ventures and product supply agreements.

#### **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. In certain provinces of Canada, the securities legislation further provides a purchaser with remedies for rescission, revision of the price or damages if the Prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision 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 advisor.

In an offering of warrants (including the Warrants partially comprising the Units), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain

provincial securities legislation, to the price at which the warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

#### **REGULATORY RELIEF**

The OSC Staff has notified the Corporation that it is currently of the view that Mr. Eric Silver, a director of the Corporation, is a promoter of the Corporation within the meaning of applicable securities laws. Pursuant to section 58(5) of the *Securities Act* (Ontario) and Part 8 of National Instrument 44-101 – *Short Form Prospectus Distributions*, the Director has consented to Mr. Silver not signing a Certificate of Promoter for this short form prospectus in accordance with the requirement under section 58(6) of the *Securities Act* (Ontario). Neither Mr. Silver nor any of his affiliates will receive, directly or indirectly, any proceeds of the Offering. The Corporation has been advised by the OSC that the issuance of a receipt by or on behalf of the applicable Canadian Securities Administrators by the OSC for this short form prospectus will evidence the granting of this consent. Neither the Corporation nor Mr. Silver admit that Mr. Silver is a promoter of the Corporation.

**CERTIFICATE OF THE CORPORATION**

Dated: October 24, 2018

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

*"Ben Ward "*  
Ben Ward  
Chief Executive Officer and Director

*"Scott Langille"*  
Scott Langille  
Chief Financial Officer

On behalf of the Board of Directors

*"Michael Stein"*  
Michael Stein  
Director

*"Paul Pathak"*  
Paul Pathak  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: October 24, 2018

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

**CANACCORD GENUITY CORP.**

*"Steve Winokur"*  
Steve Winokur  
Managing Director, Investment Banking

**HAYWOOD SECURITIES INC.**

*"Campbell Becher"*  
Campbell Becher  
Managing Director, Investment Banking

**ALTACORP CAPITAL INC.**

*"Jeff Fallows"*  
Jeff Fallows  
Managing Director, Investment Banking

**GMP SECURITIES L.P.**

*"Steve Ottaway"*  
Steve Ottaway  
Managing Director, Investment Banking