

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.

The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state of the United States, and may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States of America, its territories, possessions, any state of the United States, and the District of Columbia (the "United States") or "U.S. persons," as such term is defined in Regulation S under the 1933 Act ("U.S. Persons"), except as permitted by the Agency Agreement (as hereinafter defined) and unless exemptions from the registration requirements of the 1933 Act and any applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities to, or for the account or benefit of, persons in the United States or 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 Chief Financial Officer of Inner Spirit Holdings Ltd. at #102, 5740 - 2nd Street S.W., Calgary, Alberta, Canada, T2H 1Y6, telephone: (403) 930-9300, e-mail: cgulka@workingcapitalcorp.com, and are also available electronically at www.sedar.com. See "Documents Incorporated By Reference".

SHORT FORM PROSPECTUS

New Issue

May 17, 2019



INNER SPIRIT HOLDINGS LTD.

Minimum of \$6,000,000 and up to a Maximum of \$7,500,000

12% Senior Secured Convertible Debenture Units

Price: \$1,000 per Secured Convertible Debenture Unit

This short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of a minimum of 6,000 (the "**Minimum Offering**") and a maximum of 7,500 (the "**Maximum Offering**") units (the "**Debenture Units**") of Inner Spirit Holdings Ltd. (the "**Corporation**" or "**Inner Spirit**") at a price of \$1,000 per Debenture Unit (the "**Offering Price**").

The Debenture Units will be offered for sale on a "commercially reasonable efforts" agency basis pursuant to the terms of an agency agreement dated May 17, 2019 (the "**Agency Agreement**") among the Corporation, Acumen Capital Finance Partners Limited ("**Acumen**"), as sole bookrunner, and Canaccord Genuity Corp. (together with Acumen, the "**Agents**") as co-lead agents.

Each Debenture Unit will consist of one 12% senior secured convertible debenture of the Corporation in the principal amount of \$1,000 (each a "**Convertible Debenture**") and 2,000 common share purchase warrants of the Corporation (each a "**Unit Warrant**"). The Convertible Debentures will bear interest at a rate of 12% per annum from the Closing Date (as hereinafter defined), payable semi-annually in arrears on the last day of June and December in each year, commencing June 30, 2020, and will mature on June 30, 2022 (the "**Maturity Date**"). Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. The June 30, 2020 interest payment will represent accrued interest for the period from and including the Closing Date to, but excluding, June 30, 2020. See "*Description of Securities Being Distributed*".

The principal amount of each Convertible Debenture (the "**Principal Amount**") shall be convertible, for no additional consideration, into common shares in the capital of the Corporation ("**Debenture Shares**") at the option of the holder at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the Maturity Date, (ii) if called for Redemption (as hereinafter defined), on the business day immediately preceding the Redemption Date (as hereinafter defined), and (iii) the business day immediately preceding the fifth business day prior to a Change of Control Purchase Date (as hereinafter defined) for a Debenture Purchase (as hereinafter defined) upon a Change of Control (as hereinafter defined), at a conversion price equal to \$0.25 (the "**Conversion Price**"), subject to the Mandatory Conversion (as hereinafter defined). See "*Description of Securities Being Distributed*".

Each holder of Convertible Debentures will have the right (the "**Change of Control Right**"), exercisable at any time not later than five business days prior to the Change of Control Purchase Date and in its sole discretion, to require the Corporation to either: (i) purchase the Convertible Debentures (the "**Debenture Purchase**") at a price equal to 100% of the Principal Amount, plus any accrued and unpaid interest and plus an amount equal to the interest that would have otherwise accrued on the Convertible Debentures to the Maturity Date but for the Debenture Purchase ("**Effective Interest**"), or (ii) convert the Principal Amount plus any accrued and unpaid interest and plus the Effective Interest at the Conversion Price (the "**Change Conversion**"). In the event that a Convertible Debenture holder does not exercise the Change of Control Right, the Corporation will have the right, but not the obligation, to carry out the Debenture Purchase or the Change Conversion, in its sole discretion, on the Change of Control Purchase Date. The "**Change of Control Purchase Date**" will be the date that is 30 business days after the date that written notice of a Change of Control (a "**Change of Control Notice**") is delivered by the Corporation to holders of Convertible Debentures. See "*Description of Securities Being Distributed*".

On or after December 31, 2020, the Corporation will be entitled to force the conversion (the "**Mandatory Conversion**") of the Principal Amount of the then outstanding Convertible Debentures and any accrued and unpaid interest thereon at the Conversion Price on not less than 30 days' prior written notice should the daily volume weighted average trading price of the common shares in the capital of the Corporation (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**") be equal to or greater than \$0.35 for 20 consecutive trading days, subject to the Mandatory Conversion being permitted under the policies of the CSE for any trading of the Convertible Debentures and Common Shares at that time. See "*Description of Securities Being Distributed*".

On or after December 31, 2020, the Corporation will be entitled to redeem the Convertible Debentures (the "**Mandatory Redemption**"), in whole or in part, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the Principal Amount of the Convertible Debentures being redeemed plus accrued and unpaid interest thereon, if any, up to but excluding the date set for redemption, provided that the daily volume weighted average trading price of the Common Shares on the CSE is equal to or greater than \$0.35 for the 20 consecutive trading days preceding such notice, subject to the Mandatory Redemption being permitted under the policies of the CSE for any trading of the Convertible Debentures and Common Shares at that time. See "*Description of Securities Being Distributed*".

Neither the Mandatory Conversion nor the Mandatory Redemption may be exercised by the Corporation if a transaction that would result in a Change of Control has been publicly announced, offered or made and not withdrawn or expired, as the case may be.

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

Each Unit Warrant will entitle the holder thereof to purchase one common share in the capital of the Corporation (a "**Warrant Share**") at an exercise price equal to \$0.25 (the "**Exercise Price**") for a period of eighteen (18) months following the Closing Date. See "*Description of Securities Being Distributed*".

The Common Shares are currently listed and posted for trading on the CSE under the symbol "ISH". On May 16, 2019, the last trading day prior to the filing of this Prospectus, the closing price of the Common Shares on the CSE was \$0.20. The CSE has conditionally approved the listing of the Convertible Debentures and the Unit Warrants. Listing of the Convertible Debentures and the Unit Warrants is subject to the Corporation fulfilling all of the requirements of the CSE, including meeting all minimum listing requirements. The Corporation has also given notice to the CSE to list the Debenture Shares, the Warrant Shares and the Compensation Shares (as hereinafter defined), on the CSE. Listing of the Debenture Shares, the Warrant Shares and the Compensation Shares will be subject to the Corporation fulfilling all the listing requirements of the CSE.

Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE. See "*Plan of Distribution*".

	<u>Price to Public⁽¹⁾</u>	<u>Agents' Fee⁽²⁾</u>	<u>Net Proceeds to the Corporation⁽³⁾</u>
Per Debenture Unit.....	\$1,000	\$70	\$930
Minimum Offering ⁽⁴⁾⁽⁵⁾	\$6,000,000	\$270,000 ⁽⁵⁾	\$5,730,000 ⁽⁵⁾
Maximum Offering ⁽⁴⁾⁽⁵⁾	\$7,500,000	\$375,000 ⁽⁵⁾	\$7,125,000 ⁽⁵⁾

Notes:

- (1) The Offering Price and other terms of the Offering, including the number of Unit Warrants forming part of each Debenture Unit, the Conversion Price and the Exercise Price, were determined through arm's length negotiation between the Corporation and Acumen with reference to the prevailing market price of the Common Shares. See "*Plan of Distribution*".
- (2) In consideration for the services rendered by the Agents in connection with the Offering, the Agents will be paid a cash fee (the "**Agents' Fee**") equal to 7% of the gross proceeds of the Offering, including any exercise of the Over-Allotment Option (as hereinafter defined), other than on the gross proceeds from the sale of up to 3,750 Debenture Units that may be purchased by certain purchasers identified by the Corporation (the "**President's List Purchasers**"), for which the Agents will receive a cash fee of 3%, and which aggregate fee will be paid upon closing of the Offering. In addition, the Corporation has agreed to issue the Agents, on the completion of the Offering, as additional compensation, non-transferrable compensation options (the "**Compensation Options**") entitling the Agents to purchase such number of Common Shares (the "**Compensation Shares**") as is equal to (i) 7% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to purchasers other than President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option (as hereinafter defined)); plus (ii) 3% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to the President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option). Each Compensation Option will entitle the holder thereof to acquire during the eighteen (18) months following the Closing Date, one Compensation Share at an exercise price of \$0.25 per Compensation Share. This Prospectus qualifies the distribution of the Compensation Options. See "*Plan of Distribution*".
- (3) After deducting the Agents' Fee, but before deducting the Agents' expenses and the other expenses of the Offering, together estimated to be \$250,000, exclusive of taxes, which will be paid from the gross proceeds of the Offering. See "*Plan of Distribution*".
- (4) The Corporation has granted the Agents an option (the "**Over-Allotment Option**") to arrange for the sale of up to an additional 2,500 Debenture Units (the "**Over-Allotment Debenture Units**") at the Offering Price, exercisable at any time, in whole or in part, for a period of 30 days from and including the Closing Date for the purpose of covering over-allotments, if any and for market-stabilization purposes. If the Minimum Offering is completed and if the Over-Allotment Option is exercised in full, the total price to the public will be \$8,500,000, the Corporation will issue a total of 8,500 Debenture Units, the Agents' Fee will be \$445,000 (assuming 3,750 Debenture Units are sold to the President's List Purchasers) and the net proceeds to the Corporation (before deducting expenses of the Offering, estimated to be \$250,000, exclusive of taxes) will be \$8,055,000. If the Maximum Offering is completed and if the Over-Allotment Option is exercised in full, the total price to the public will be \$10,000,000, the Corporation will issue a total of 10,000 Debenture Units, the Agents' Fee will be \$550,000 (assuming 3,750 Debenture Units are sold to the President's List Purchasers) and the net proceeds to the Corporation (before deducting expenses of the Offering, estimated to be \$250,000, exclusive of taxes) will be \$9,450,000. This Prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Over-Allotment Debenture Units pursuant to the exercise thereof. A purchaser who acquires Over-Allotment Debenture Units forming part of the Agents' over-allocation position acquires those Over-Allotment Debenture Units under this Prospectus, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".
- (5) Assuming 3,750 Debenture Units are sold to the President's List Purchasers.

The following table sets out information relating to the Over-Allotment Option and the Compensation Options:

<u>Agents' Position</u>	<u>Minimum Offering</u>	<u>Maximum Offering</u>	<u>Exercise period</u>	<u>Exercise price</u>
Over-Allotment Option	2,500 Over-Allotment Debenture Units	2,500 Over-Allotment Debenture Units	For a period of thirty (30) days from and including the Closing Date	\$1,000 per Over-Allotment Debenture Unit
Compensation Options	1,780,000 Compensation Shares ⁽¹⁾	2,200,000 Compensation Shares ⁽¹⁾	Eighteen (18) months from the Closing Date	\$0.25 per Compensation Share

Note:

(1) Assuming the full exercise of the Over-Allotment Option and assuming 3,750 Debenture Units are sold to the President's List Purchasers.

Unless the context otherwise requires, references to the "Offering", the "Debenture Units", the "Debenture Shares", the "Unit Warrants", the "Warrant Shares", the "Compensation Options" and the "Compensation Shares" include the Over-Allotment Option and all the securities issuable thereunder.

Investing in the securities offered hereunder is speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. Prospective investors should carefully review and evaluate the risk factors contained in this Prospectus and in the documents incorporated by reference herein before purchasing the Debenture Units, see "*Cautionary Statement Regarding Forward-Looking Statements*" and "*Risk Factors*". Prospective investors are advised to consult their own legal counsel and other professional advisors in order to assess the income tax, legal and other aspects of the Offering.

The Offering is not underwritten or guaranteed by any person. Pursuant to the Agency Agreement, the Agents conditionally offer the Debenture Units, on a "commercially reasonable efforts" agency basis if, as and when issued by the Corporation in accordance with the Agency Agreement and subject to the approval of certain legal matters on behalf of the Corporation by Burstall LLP and on behalf of the Agents by Torsys LLP. See "*Plan of Distribution*".

After giving effect to the Minimum Offering or the Maximum Offering, the pro forma earnings coverage ratio of the Corporation for the 12 months ended December 31, 2018 is less than one-to-one. The Corporation would have required an increase of \$12,408,327 after giving effect to the Minimum Offering, or an increase of \$12,593,317 after giving effect to the Maximum Offering, in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for the 12 month period ended December 31, 2018. See "*Earnings Coverage Ratios*".

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

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

Subscriptions for the Debenture Units will be received subject to rejection or allotment, in whole or in part, and the Agents reserve the right to close the subscription books at any time without notice. The completion of the sale of securities pursuant to the Offering (the "**Closing**") is expected to take place on or about May 24, 2019, or such other date or dates as may be agreed upon by the Corporation and the Agents (the "**Closing Date**"). Pending Closing, all subscription funds will be deposited and held by the Agents in trust pursuant to the terms and conditions of the Agency Agreement. If the Minimum Offering is not completed within ninety (90) days of the issuance of a receipt for this Prospectus or such other time as may be permitted by applicable securities legislation and consented to by

persons or companies who subscribed within that period and the Agents, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction. See "*Plan of Distribution*".

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

It is anticipated that the Debenture Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited in electronic form. Except in certain limited circumstances, including where a certificate representing the Debenture Units requires the addition of a legend under applicable United States federal or state securities laws, no certificates evidencing the Convertible Debentures or Unit Warrants comprising the Debenture Units will be issued to purchasers of the Debenture Units. Purchasers of Debenture Units will receive only a customer confirmation from the Agents or other registered dealer who is a participant in the CDS depository service (a "**CDS Participant**") and from or through whom a beneficial interest in the Debenture Units is acquired. See "*Plan of Distribution – Depository Services*".

The Debenture Units may be sold only in those jurisdictions where, and to persons whom, offers and sales are permitted. This Prospectus is not an offer to sell or a solicitation of an offer to buy the Debenture Units in any jurisdiction where it is unlawful. Subject to the Corporation's obligations under applicable securities laws, the information contained in this Prospectus is accurate only as of the date of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Debenture Units, except in the case of documents incorporated or deemed to be incorporated by reference into this Prospectus subsequent to the date hereof. Investors should rely only on the information contained in this Prospectus or incorporated by reference herein. The Corporation has not authorized anyone to provide investors with different information.

The Corporation's head office is located at #102, 5740 - 2nd Street S.W., Calgary, Alberta, T2H 1Y6. The Corporation's registered office is located at Suite 1600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

All references herein to "\$" are to Canadian dollars.

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DEFINITIONS

Unless the context otherwise requires, the following terms shall have the respective meanings set out below when used in this Prospectus:

"**1933 Act**" means the United States Securities Act of 1933, as amended;

"**2014 AB**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**2081 AB**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**2084 AB**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**2084 AB Agreement**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acumen**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**AGCO**" means the Alcohol and Gaming Commission of Ontario;

"**Agency Agreement**" has the meaning ascribed thereto on the cover page of this Prospectus, as more particularly described under "*Plan of Distribution*";

"**Agents**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Agents' Fee**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**AGLC**" has the meaning ascribed thereto under "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*" of this Prospectus;

"**AGLC Statement**" has the meaning ascribed thereto under "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*" of this Prospectus;

"**AIF Requirement**" has the meaning ascribed there to under "*Exemptions*" of this Prospectus;

"**Annual Financial Statements**" means the audited consolidated financial statements of the Corporation for the year ended December 31, 2018 and the period from incorporation on March 16, 2017 to December 31, 2017;

"**Auxly**" means Auxly Cannabis Group Inc. (formerly named Cannabis Wheaton Income Corp.), a company formed under the *Business Corporations Act* (British Columbia);

"**Auxly Anti-Dilution Right**" means the anti-dilution right provided to Auxly pursuant to the strategic alliance agreement dated January 9, 2018 between Auxly and the Corporation, which Auxly Anti-Dilution Right ceased to be effective following the IPO;

"**Board of Directors**" or "**Board**" means the board of directors of the Corporation, as constituted from time to time;

"**Cannabis Act**" means *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, S.C. 2018, c. 16, which, when combined with *An Act to Amend the Criminal Code*, provides the framework for the legalization of recreational cannabis in Canada;

"**Cannabis Control Act**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Regulatory Framework*" of this Prospectus;

"**CDS Participant**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**CDS**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Change Conversion**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Change of Control**" has the meaning ascribed thereto under "*Description of Securities being Distributed – Change of Control of the Corporation*" in this Prospectus;

"**Change of Control Notice**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Change of Control Purchase Date**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Change of Control Right**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Closing Date**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Closing**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Common Shares**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Compensation Options**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Compensation Shares**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Computershare**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Conversion Price**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Convertible Debenture**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Convertible Debenture Certificate**" has the meaning ascribed thereto under "*Description of Securities being Distributed – Convertible Debentures*" of this Prospectus;

"**Corporation**" or "**Inner Spirit**" means Inner Spirit Holdings Ltd.;

"**CRA**" means the Canada Revenue Agency;

"**CSE**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Debentureholders**" means holders of Convertible Debentures;

"**Debenture Indenture**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Debenture Purchase**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Debenture Units**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Debenture Shares**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Definitive Convertible Debentures**" has the meaning ascribed thereto under "*Description of Securities being Distributed – Book Entry, Delivery and Form*" of this Prospectus;

"**Effective Interest**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Event of Default**" has the meaning ascribed thereto under "*Description of Securities being Distributed – Events of Default*" of this Prospectus;

"**Excess**" has the meaning ascribed thereto under "*Risk Factors – Withholding and Participating Debt Interest*" of this Prospectus;

"**Exclusivity Agreement**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Retail Arrangement*" of this Prospectus;

"**Exercise Price**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**February Acquisition**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**First Canmore Location**" has the meaning ascribed thereto under "*Summary of the Business - Spirit Leaf Corporate Operations*";

"**Global Convertible Debentures**" has the meaning ascribed thereto under "*Description of Securities Being Distributed – Book Entry, Delivery and Form*" of this Prospectus;

"**High Park**" means High Park Holdings Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of Tilray;

"**Interest Payment Dates**" has the meaning ascribed thereto under "*Escrowed Securities*" of this Prospectus;

"**IPO Agent's Options**" means 2,500,000 non-transferable Common Share purchase options issued to Leede in connection with the IPO, each entitling the holder thereof to purchase one Common Share at a price of \$0.15 until July 31, 2020;

"**IPO Escrow Agreement**" has the meaning ascribed thereto under "*Description of Securities Being Distributed – Book Entry, Delivery and Form*" of this Prospectus;

"**IPO Prospectus**" means the (final) long form prospectus of the Corporation dated July 20, 2018 in respect of the IPO, and filed on SEDAR under the Corporation's profile on July 20, 2018;

"**IPO Warrant**" means a Common Share purchase warrant of the Corporation forming part of the units of the Corporation issued pursuant to the IPO;

"**IPO**" means the Corporation's initial public offering completed on July 31, 2018;

"**LCBO**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Regulatory Framework*" of this Prospectus;

"**Leader Mining**" has the meaning ascribed thereto under "*Promoters – Cease Trade Orders*" of this Prospectus;

"**Leede**" means Leede Jones Gable Inc.;

"**Licensed Producers**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Regulatory Framework*" of this Prospectus;

"**Mandatory Conversion**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Mandatory Redemption**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Marketing Materials**" means the Corporation's corporate presentation dated May 7, 2019 and the template version of the term sheet in respect of the Offering dated May 7, 2019;

"**Maturity Date**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Maximum Offering**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Minimum Offering**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Mission Location**" has the meaning ascribed thereto under "*Summary of the Business - Spirit Leaf Corporate Operations*";

"**MOU Retail Store**" means the Spiritleaf-branded franchise retail cannabis store proposed to be established and operated in Alberta by the Corporation and the MOU Partner through Spirit Leaf Macleod, which is currently operated as a Spiritleaf-branded cannabis accessories store;

"**MOU Partner**" means 1010805 Alberta Ltd., a corporation existing under the laws of the Province of Alberta;

"**MOU**" means the memorandum of understanding dated April 3, 2018 between the Corporation and the MOU Partner, pursuant to which the Corporation and the MOU Partner intend to establish and operate the MOU Retail Store as a Spiritleaf-branded retail cannabis store;

"**NASDAQ**" means Nasdaq Global Select Market;

"**NCI**" has the meaning ascribed thereto under "*Description of Securities being Distributed – Book Entry, Delivery and Form*" of this Prospectus;

"**Newstrike**" means Newstrike Resources Ltd., a company existing under the laws of the province of Ontario;

"**Newstrike Shares**" means common shares in the capital of Newstrike;

"**Newstrike Transaction**" means the cross-investment between the Corporation and Newstrike completed on July 31, 2018;

"**Newstrike Warrants**" means warrants entitling the holder thereof to purchase Newstrike Shares at an exercise price of \$0.99 per Newstrike Share, for a period of 24 months following the issuance thereof, which Newstrike Warrants vest on a performance-based schedule triggered by the opening of a pre-determined number of Spiritleaf-branded retail cannabis stores;

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*;

"**NI 44-101**" means National Instrument 44-101 – *Short Form Prospectus Distributions*;

"**October Acquisition**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**October Termination**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**Offering Price**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Offering**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Ontario Agreements**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Retail Arrangement*" of this Prospectus;

"**Ontario Cannabis Act**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Regulatory Framework*" of this Prospectus;

"**Ontario Partner**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Retail Arrangement*" of this Prospectus;

"**Ontario Partnership**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Retail Arrangement*" of this Prospectus;

"**Ontario Partnership Loan**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Retail Arrangement*" of this Prospectus;

"**Ontario Regulations**" has the meaning ascribed thereto under "*General Development of the Business – Ontario Regulatory Framework*" of this Prospectus;

"**Options**" means stock options of the Corporation issued pursuant to the stock option plan of the Corporation dated September 12, 2017, as amended;

"**Over-Allotment Debenture Units**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Over-Allotment Option**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**President's List Purchasers**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Principal Amount**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Prospectus**" has the meaning ascribed thereto on the cover page of this Prospectus;

"**Qualified Institutional Buyers**" has the meaning ascribed thereto under "*Plan of Distribution*" of this Prospectus;

"**Registered Plans**" has the meaning ascribed thereto under "*Eligibility for Investment*" of this Prospectus;

"**Second Canmore Location**" has the meaning ascribed thereto under "*Summary of the Business - Spirit Leaf Corporate Operations*";

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**September Acquisition**" has the meaning ascribed thereto under "*General Development of the Business – Retail Cannabis Store Acquisitions*" of this Prospectus;

"**Spirit Leaf Corporate**" means Spirit Leaf Corporate Inc., a wholly-owned subsidiary of the Corporation;

"**Spirit Leaf Macleod**" means Spirit Leaf Macleod Inc., a subsidiary of the Corporation of which 50.1% of the issued and outstanding voting shares are owned by the Corporation and 49.9% of the issued and outstanding voting shares are owned by the MOU Partner;

"**Spirit Leaf**" means Spirit Leaf Inc., a wholly-owned subsidiary of the Corporation;

"**Spiritleaf**" means the Corporation's Spiritleaf retail cannabis store and cannabis accessories brand;

"**SugarBud**" means SugarBud Craft Growers Corp. (formerly named Relentless Resources Ltd.), a company existing under the ABCA;

"**SugarBud First Tranche**" means the issuance by the Corporation to SugarBud of 7,500,000 Common Shares and 3,750,000 Warrants on June 22, 2018 in exchange for the payment by SugarBud to the Corporation of \$1,125,000 in cash;

"**SugarBud Investment Agreement**" means the amended and restated investment agreement dated June 21, 2018 between SugarBud and the Corporation whereby SugarBud subscribed for an aggregate of 15,000,000 Common Shares and 7,500,000 Warrants in exchange for \$1,125,000 in cash, 8,108,108 SugarBud Shares and 1,125,000 warrants to purchase SugarBud Shares, which aggregate subscription was anticipated to be completed through the SugarBud First Tranche and the SugarBud Second Tranche;

"**SugarBud Second Tranche**" means the proposed issuance by the Corporation of 7,500,000 Common Shares and 3,750,000 Warrants to SugarBud in exchange for SugarBud issuing to the Corporation 8,108,108 SugarBud Shares and 1,125,000 warrants to purchase SugarBud Shares;

"**SugarBud Shares**" means common shares in the capital of SugarBud;

"**SugarBud Strategic Alliance Agreement**" means the strategic alliance agreement between the Corporation and SugarBud contemplated by the SugarBud Investment Agreement;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder;

"**Temporary Cap**" has the meaning ascribed thereto under "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Cap in Ontario*" of this Prospectus;

"Temporary Suspension" has the meaning ascribed thereto under "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*" of this Prospectus;

"Tilray Collaboration Agreement" means the collaboration agreement dated December 7, 2019 between the Corporation and High Park providing for, among other things, ongoing collaboration between the two companies in the sale and distribution of High Park cannabis products through permissible regulatory channels, in accordance with applicable law;

"Tilray First Tranche" means the issuance by the Corporation to Tilray of 11,335,013 Common Shares on December 10, 2018 in exchange for the payment by Tilray to the Corporation of \$1,125,000 in cash;

"Tilray Investment Agreement" means the investment agreement dated December 3, 2018 among the Corporation, Spirit Leaf, Tilray and High Park, pursuant to which Tilray has agreed, subject to certain conditions, to subscribe for Common Shares for an aggregate subscription price of \$4,500,000 comprised of \$2,250,000 in cash and \$2,250,000 in Tilray Shares, which is expected to be completed through the Tilray First Tranche and the Tilray Second Tranche;

"Tilray Loan" has the meaning ascribed thereto under "*General Development of the Business – Tilray Promissory Note*" of this Prospectus

"Tilray Promissory Note" has the meaning ascribed thereto under "*General Development of the Business – Tilray Promissory Note*" of this Prospectus

"Tilray Repayment" has the meaning ascribed thereto under "*Description of Securities being Distributed – Ranking*" of this Prospectus;

"Tilray Second Tranche" means the proposed issuance by the Corporation to Tilray of \$2,250,000 in Common Shares, at a deemed price per Common Share equal to the 10-day volume weighted average price of the Common Shares on the CSE (subject to the rules and policies of the CSE), in exchange for Tilray issuing to the Corporation \$2,250,000 in Tilray Shares, at a deemed price per Tilray Share equal to the 10-day volume weighted average price of the Tilray Shares on the NASDAQ (subject to the rules and policies of the NASDAQ), on or about the date that is six months after the closing of the Tilray First Tranche;

"Tilray Shares" means class 2 common stock in the capital of Tilray;

"Tilray Transaction" means the transactions contemplated under the Tilray Investment Agreement and the Tilray Collaboration Agreement;

"Tilray" means Tilray, Inc., a corporation existing under the laws of the State of Delaware;

"Unit Warrant" has the meaning ascribed thereto on the cover page of this Prospectus;

"United States" or **"U.S."** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

"U.S. Person" means a "U.S. person" as such term is defined in Regulation S under the 1933 Act;

"Warrant" means a Common Share purchase warrant of the Corporation entitling the holder thereof to purchase a Common Share;

"Warrantholder" means a holder of Unit Warrants;

"Warrant Indenture" has the meaning ascribed thereto on the cover page of this Prospectus;

"Warrant Share" has the meaning ascribed thereto on the cover page of this Prospectus; and

"Watch It!" means Watch It! Consolidated Ltd., a wholly-owned subsidiary of the Corporation.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Cautionary Statement Regarding Forward-Looking Statements

This Prospectus and the documents incorporated by reference herein contain certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") about the Corporation which are based upon management of the Corporation's current expectations, estimates, projections, assumptions and beliefs. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to statements preceded by, followed by or that including words such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, financial and other projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this Prospectus, or in the case of documents incorporated by reference herein, as of the date of each such document. Forward-looking statements in this Prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the completion of the Offering, including the Minimum Offering or the Maximum Offering, and the receipt of all regulatory and stock exchange approvals in connection therewith;
- the completion, size, expenses and timing of the closing of the Offering;
- the proposed use of the net proceeds of the Offering;
- the Corporation's business objectives and milestones and the anticipated timing of execution;
- the share capital of the Corporation;
- the performance of the Corporation's business and operations;
- the intention to grow the business, operations and potential activities of the Corporation;
- the competitive and business strategies of the Corporation;
- the competitive conditions of the industries in which the Corporation operates;
- the anticipated growth of the retail cannabis industry;
- the intention and ability of the Corporation to participate in the recreational cannabis market in Canada;
- provincial and municipal laws and regulations relating to the sale of recreational cannabis in Canada, including in the Province of Ontario;
- the ability of the Corporation to attract qualified franchisees, and the ability of qualified franchisees to successfully finance, open (including obtaining a license and suitable location) and operate Spirit Leaf locations;

- the proposed opening of the MOU Retail Store as a Spiritleaf-branded retail cannabis store by the Corporation through Spirit Leaf Macleod;
- the proposed opening of wholly-owned corporate retail cannabis stores by the Corporation through Spirit Leaf Corporate;
- laws and any amendments thereto applicable to the Corporation, its partners and its franchisees;
- the Corporation's anticipated operating cash requirements and future financing needs;
- the Corporation's ability to create, market and sell new products;
- the Corporation's expectations regarding its expenses and operations;
- the completion and timing of the closing of the Tilray Second Tranche;
- the current political, legal and regulatory landscape surrounding recreational cannabis and expected developments in jurisdictions in which the Corporation operates or intends to operate;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers;
- the Corporation's future product offerings;
- expectations with respect to the receipt of permits and licenses applied for and the renewal and/or extension of the Corporation's permits and licenses;
- the ability to protect, maintain and enforce the Corporation's intellectual property rights;
- ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and materials costs; and
- the Corporation's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Corporation operates.

Forward-looking statements contained herein and in certain documents incorporated by reference in this Prospectus are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The material factors and assumptions used to develop the forward-looking statements contained in this Prospectus include the Corporation's ability to execute its intended retail operation strategy and to obtain regulatory approvals in a timely manner, and the general expectations of the Corporation related thereto;

key personnel and qualified employees continuing their employment with the Corporation; and the Corporation's ability to secure new financing. See "*Risk Factors*".

Purchasers are cautioned that the above list of cautionary statements is not exhaustive. A number of risk factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. Such risk factors, without limitation, include the following: the actual financial position and results of operations of the Corporation may differ materially from the expectations of management; the ability to obtain the capital required to fund development and operations; the ability of the Corporation to effectively manage its growth and operations; the development and growth of the recreational cannabis retail industry in general; the competition within the cannabis industry in general, which involves companies with higher capitalization, more experienced management or which may be more mature as a business; the ability to capitalize on changes to the marketplace; the ability to comply with applicable governmental regulations and standards; changes to cannabis laws; the ability to attract and retain skilled and experienced personnel; the impact of changes in the business strategies and development priorities of strategic partners; discretion in the use of proceeds; risk factors related to dilution; and the limited operating history of the Corporation. These risk factors are not intended to represent a complete list of the factors that could affect the Corporation and investors are cautioned to consider these and other factors, uncertainties and potential events carefully. See the "*Risk Factors*" section of this Prospectus and the "*Risk Factors*" section in the IPO Prospectus.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. Prospective investors should not place undue reliance on forward-looking statements contained in this Prospectus or in any document incorporated by reference. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Neither the Corporation nor any of the Agents undertake any obligation to publicly update or revise any forward-looking statements except as required under applicable securities laws nor do they have any policies or procedures in place concerning the updating of forward-looking statements other than those required under applicable securities laws.

Update to Previously Disclosed Forward-Looking Statements

The IPO Prospectus, under the section "*General Development of the Business of the Company – Marketing Plans and Strategies – Watch It!*", contains a statement indicating that the Corporation believed that the restructuring mentioned in such section led to the strong Watch It! sales in Q4 of 2017 and would help result in profitable operations in 2018. As at December 31, 2018, Watch It! generated \$5,167,169 in revenues, representing 89.22% of the consolidated revenue of the Corporation, but did not achieve profitable operations. The net loss of \$4,689,665 generated by Watch It! in 2018 resulted primarily from the write down of certain property and equipment assets, intangible assets and goodwill acquired in the acquisition of Watch It!, in the amount of \$3,526,918. During 2018, management assessed and concluded that indicators of impairment existed on Watch It! as a result of 2018 losses, and therefore an impairment test was performed which resulted in the aforementioned write down.

The IPO Prospectus, under the section "*Use of Proceeds – Maximum Offering – Use of Proceeds*", contains a statement indicating that positive cash flows from operating activities were expected to be realized by year end 2018 based on, among other assumptions, the assumptions that that the Corporation and its franchisees would open at least 20 Spiritleaf-branded locations and that such stores would achieve

a range of between \$312,500 to \$625,000 in gross sales during the fourth quarter of 2018. As at December 31, 2018, the Corporation did not realize positive cash flows from operating activities as expected. This was primarily a result of the franchisees of the Corporation only opening four Spiritleaf-branded retail cannabis stores and the Corporation opening nil Spiritleaf-branded retail cannabis stores in 2018, as opposed to the Corporation's assumption that 20 Spiritleaf-branded retail cannabis stores will have opened in 2018 and provided the Corporation with positive cash flow from operating activities. The lower number of Spiritleaf-branded retail cannabis stores opened in 2018 was the result of a slower than anticipated granting of retail cannabis licenses by the AGLC, challenges in acquiring various municipal development permits required to operate retail cannabis stores, and the Temporary Suspension enacted by the AGLC. While the Temporary Suspension remains in place, Spirit Leaf Corporate and the franchisees of Spirit Leaf are not able to submit new applications for retail cannabis licenses in Alberta. Applications for retail cannabis licenses in Alberta that were in progress prior to the enactment of the Temporary Suspension continue to be processed by the AGLC during the Temporary Suspension notwithstanding that the issuance of retail cannabis licenses for such applications is suspended pursuant to the Temporary Suspension. Following the legalization of recreational cannabis on October 17, 2018, there was a national shortage of recreational cannabis product which resulted in the supply of most products running out and led to the imposition of the Temporary Suspension and the Temporary Cap. Due to this national shortage of recreational cannabis product, Spiritleaf-branded retail cannabis stores that opened in 2018 were only able to procure and sell limited amounts and varieties of cannabis products, resulting in gross sales that the Corporation expects were lower than they would have been had supply not been limited. Lease carrying costs relating to corporate wholly-owned Spiritleaf-branded retail cannabis stores and to franchise locations in Ontario also increased more significantly than expected in 2018, resulting in higher occupancy costs.

The IPO Prospectus, under the section "*Use of Proceeds*", contains statements indicating that the Corporation did not anticipate using any funds from the IPO to fund Watch It!'s operations. As at the date of the IPO Prospectus, the Corporation anticipated that, based on the completion of the restructuring of the business acquired by Watch It!, sales and margins for Watch It!'s business would increase in 2018 resulting in the subsidiary generating positive cash flows from operating activities. The net loss of \$4,689,665 generated by Watch It! in 2018 resulted mainly from the write down of certain property and equipment assets, intangible assets and goodwill acquired in the acquisition of Watch It! in the amount of \$3,526,918. After accounting for non-cash expenses such as depreciation and amortization in the amount of \$552,430, Watch It! used cash in the amount of \$610,317 in 2018. As at June 30, 2018, the Corporation had estimated consolidated working capital of \$1,794,220.24, a portion of which was subsequently used to fund Watch It!'s cash use.

GENERAL MATTERS

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus and are not entitled to rely on parts of the information contained or incorporated by reference in this Prospectus to the exclusion of others. Neither the Corporation nor the Agents have authorized any other person to provide prospective purchasers with additional or different information. If a prospective purchaser is provided with additional, different or inconsistent information, the prospective purchaser should not rely on such information.

Unless the context otherwise requires, references to "management" in this Prospectus means the persons acting in the capacities of the Corporation's Chief Executive Officer and Chief Financial Officer. Any statements in this Prospectus or incorporated by reference herein made by or on behalf of management are made in such persons' capacities as officers of the Corporation and not in their personal capacities.

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

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

Unless the context otherwise requires, any references in this Prospectus to the "Corporation" or "Inner Spirit" refer to Inner Spirit Holdings Ltd. and its subsidiaries.

Unless the context otherwise requires, all references to "\$", "C\$" and "dollars" mean references to the lawful money of Canada.

MARKET AND INDUSTRY DATA

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

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under NI 41-101), including the Marketing Materials that are used by the Corporation or the Agents in connection with the Offering, are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus.

Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated by reference into this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Financial Officer of the Corporation at #102, 5740 - 2nd Street S.W., Calgary, Alberta, Canada, T2H 1Y6, telephone: (403) 930-

9300, e-mail: cgulka@workingcapitalcorp.com. These documents are also available through the internet under the Corporation's profile on SEDAR at www.sedar.com.

The following documents, which have been filed with the securities commission or similar authority in each of the provinces of Canada, other than Québec, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

- (a) the IPO Prospectus, excluding the following:
 - (i) the section entitled "*Eligibility For Investment*";
 - (ii) Schedule "A" – *Financial Statements and MD&A of the Company*;
 - (iii) Schedule "B" – *Financial Statements and MD&A of the Acquired Businesses*; and
 - (iv) Schedule "C" – *Pro Forma Financial Statements of the Company*;
- (b) the material change report dated August 7, 2018 with respect to the completion of the IPO;
- (c) the material change report dated December 13, 2018 with respect to the entering into of the Tilray Investment Agreement and the completion of the Tilray First Tranche;
- (d) the Annual Financial Statements;
- (e) the management's discussion and analysis of the Corporation for the year ended December 31, 2018;
- (f) the management information circular of the Corporation dated April 29, 2019 regarding the annual general meeting of shareholders of the Corporation to be held on May 30, 2019; and
- (g) the Marketing Materials.

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports, filed by the Corporation with the securities commissions or similar authorities in Canada after the date of this Prospectus and before the termination of the distribution of this Offering are deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein 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 shall 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 is made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

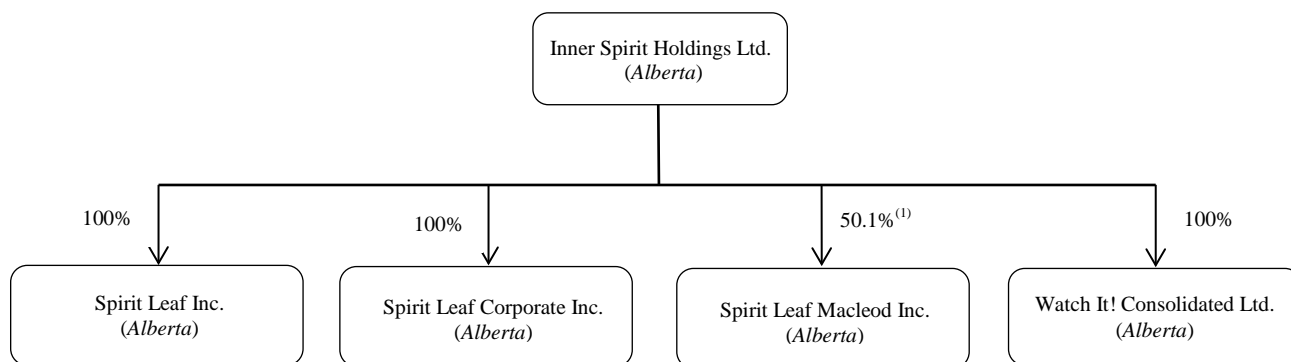
DESCRIPTION OF THE BUSINESS

Corporate Structure

The Corporation was amalgamated under the ABCA on August 31, 2017 pursuant to the amalgamation of Inner Spirit Holdings Ltd., a private corporation, and 2043246 Alberta Ltd. The head office of the Corporation is #102, 5740 - 2nd Street S.W., Calgary, Alberta, T2H 1Y6 and the registered and records office of the Corporation is Suite 1600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1. The Common Shares are listed on the CSE under the symbol "ISH".

The Corporation has four subsidiaries: (i) Spirit Leaf, a wholly-owned subsidiary which operates the Corporation's franchise cannabis business; (ii) Spirit Leaf Corporate, a wholly-owned subsidiary which operates the Corporation's corporate store cannabis business; (iii) Spirit Leaf Macleod, a subsidiary which currently operates the MOU Retail Store as a Spiritleaf-branded cannabis accessories store, and which will be used to establish and operate the MOU Retail Store as a Spiritleaf-branded retail cannabis store; and (iv) Watch It!, a wholly-owned subsidiary which operates the Corporation's corporate and franchise watch, sunglasses, and related accessory business. All four subsidiaries of the Corporation were incorporated and exist under the laws of the Province of Alberta.

The organizational chart for the Corporation is as follows:



Notes:

(1) The remaining 49.9% of the issued and outstanding voting shares of Spirit Leaf Macleod are owned by the MOU Partner.

Summary of the Business

The Corporation has four primary business units which it operates through its four subsidiaries, Spirit Leaf, Spirit Leaf Corporate, Spirit Leaf Macleod, and Watch It!. The four business units are comprised of:

- (i) the business of Spirit Leaf, which consists of the current operation, planned opening and ongoing support of franchise retail cannabis stores in Canadian jurisdictions where the private sale of recreational cannabis is permitted;
- (ii) the business of Spirit Leaf Corporate, which consists of the planned opening of wholly-owned corporate retail cannabis stores;

- (iii) the business of Spirit Leaf Macleod, which consists of the operation of the MOU Retail Store as a Spiritleaf-branded cannabis accessories store in Calgary, Alberta and, subject to receiving necessary permits and approvals, the planned operation of the MOU Retail Store as a Spiritleaf-branded retail cannabis store; and
- (iv) the business of Watch It!, which consists of the marketing, sale and distribution of watches, sunglasses, watch repair services and related accessories.

All business units are headquartered in Calgary, Alberta and operated through the Corporation's subsidiaries.

As at December 31, 2018, the Corporation had one employee and two consultant, while Spirit Leaf had 11 employees, Spirit Leaf Macleod had no employees, Spirit Leaf Corporate had 8 employees and Watch It! had 65 employees.

See also "*General Development of the Business of the Company*" in the IPO Prospectus.

Industry Overview

The Canadian adult use market for cannabis is currently worth up to \$5 billion and is estimated to reach \$7 billion in 2022.¹ There has been a shift towards legal consumption, with current cannabis customers expected to buy more often and with nearly two-thirds of such purchased product to be from legal retailers.² The consumer demographic following legalization is also expected to attract a more conservative experimenter (aged 35-54, with a university education and family or other responsibilities).² With current and future consumers expected to purchase the majority of products at physical retail locations, there is an increased demand for a positive retail experience requiring high quality products at competitive price points and enhanced privacy and security.²

Corporate Strategy

In January 2018, the Corporation unveiled its open space concept retail store design which is geared to be unique and different from the typical retail environment of a retail cannabis store, offering a welcoming and comfortable environment, knowledgeable staff and a wide selection of curated and quality cannabis products (flowers, pre-rolls, oils and extracts and the Corporation's "Spirit Joint" disposable vaporizer currently in the design stage and anticipated to be one of the most discreet disposable vaporizers delivering 150 puffs of pure CO₂ cannabis oil).

The Corporation's business strategy is to build an iconic Canadian retail brand and a chain of retail cannabis stores across Canadian jurisdictions where the private distribution of cannabis is legal by, among other things, applying a low-cost and scalable franchising and retail model to maximize return on investment, and by selling select third-party brands together with house brands to offer consumers a market-leading retail experience. The Corporation has secured strategic partnerships with established licensed producers to create a fully integrated business model. Some of these strategic partners include Auxly (to among other things, collaborate on retail initiatives including product acquisition and in-store marketing and branding), Newstrike (to among other things, carry Up Cannabis products for retail distribution and create Up Cannabis-branded customer lounges in Spiritleaf-branded retail cannabis stores), and HighTimes Holding Corp. (to among other things, distribute and sell High Time magazines in both Spiritleaf-branded wholly-owned and franchised retail cannabis stores).

¹ GT Research "*Canadian Legal Recreational Cannabis Market*", 2018.

² Deloitte "*A society in transition, an industry ready to bloom, 2018 cannabis report*", 2018.

The Corporation has an experienced management team with significant expertise in the cannabis, branding, consumer retail, real estate and franchising industries: Darren Bondar, President and Chief Executive Officer, Inner Spirit, has a proven executive management track record and over 20 years' experience driving sales growth in both the retail and franchise industries; Christopher Gulka, Chief Financial Officer, Inner Spirit, is a Chartered Professional Accountant and a Chartered Financial Analyst with over 26 years of business experience; Robert Verbuck, Legal and Capital Markets, Inner Spirit, is a corporate lawyer with 20 years of experience and has actively advised businesses in the cannabis industry since 2014; Cecil Horwitz, Business Development, Spirit Leaf, has extensive experience in retail sales since the start of the WATCH IT! brand in 1999, and was the founder and clinical director of Whole Family Health; Jeremy Lee, Controller, Spirit Leaf, has experience across financial reporting, controlling and finance functions, including at a "Big 4" accounting firm and in industry roles and has been a Chartered Accountant since 2000; Christine Kitz, Operations, Watch It! and Spirit Leaf, is responsible for overseeing business systems and operations for the Corporation and has previously held operational, strategic and human resources positions within the retail sector; and Alisa Kuzmina, Creative Director, Watch It! and Spirit Leaf, is responsible for overseeing the Corporation's creative excellence, and has a Degree in Communications.

As at the date hereof: (i) four Spiritleaf-branded franchised retail cannabis stores have been opened in Alberta, with an additional 46 sites secured by franchisees of Spirit Leaf, Spirit Leaf Corporate and Spirit Leaf Macleod in various stages of development and with municipal permits; (ii) locations have been secured for six potential Spiritleaf-branded retail cannabis stores in British Columbia, subject to receiving necessary permits and approvals; (iii) one Spiritleaf-branded franchised retail cannabis store has been opened in Saskatchewan; and (iv) the Corporation opened an office in Toronto, Ontario, entered into 25 franchise agreements in respect of Spiritleaf-branded franchise locations intended to be opened in Ontario, secured real estate leases for 16 such locations, and entered into the Ontario Partnership.

Spirit Leaf Corporate Operations

The Corporation, through Spirit Leaf Corporate, intends to open wholly-owned corporate retail cannabis stores in strategic locations across Canada in such jurisdictions where the private retail distribution of cannabis is legal and where it is not prohibited from opening retail cannabis store, subject to receiving necessary permits and approvals.

As at the date hereof, subject to receiving necessary permits and approvals, Spirit Leaf Corporate intends to open ten wholly-owned corporate Spiritleaf-branded retail cannabis stores at the following locations, for which the Corporation has obtained leases: (i) 10134 - 82 Avenue NW, Edmonton, Alberta; (ii) 105, 11044 - 82 Avenue, Edmonton, Alberta; (iii) 3444 - 99th Street, Edmonton, Alberta; (iv) 1136, 10th Avenue SW, Calgary, Alberta; (v) 2, 506 - 17th Avenue SW, Calgary, Alberta (the "**Mission Location**"); (vi) Sunridge Mall, 101A, 2525 - 36 Street NE, Calgary, Alberta; (vii) Peter Pond Mall, 1045, 9713 Hardin Street, Fort McMurray, Alberta; (viii) 618 Patricia Street, Jasper, Alberta; (ix) 112, 737 - 7th Avenue, Canmore, Alberta (the "**First Canmore Location**"); (x) 302 Old Canmore Road, Canmore, Alberta (the "**Second Canmore Location**").

The Corporation intends to continue to seek and secure real-estate locations for potential wholly-owned corporate Spiritleaf-branded retail cannabis stores in such jurisdictions of Canada where the private retail distribution of cannabis is legal and where it is not prohibited from opening retail cannabis stores.

Spirit Leaf Operations

The Corporation, through Spirit Leaf, is opening and supporting a chain of franchised Spirit-leaf branded retail cannabis stores in such jurisdictions of Canada where the private retail distribution of cannabis is

legal. The Corporation also intends to create house brands, brand white-label cannabis products with such house brands in jurisdictions where doing so is permitted, and to sell such branded white-label cannabis products through its own vertical distribution network, which, if and where permitted, may include online, owned retail cannabis stores and franchise retail cannabis stores. In addition, Spirit Leaf operates an online business (www.Spiritleaf.ca) through which it sells non-cannabis products and through which it plans, in jurisdictions where the private online retailing of recreational cannabis is permitted, to sell cannabis consumer products. The Corporation intends to launch an online store in the Province of Saskatchewan in conjunction with its Saskatchewan franchise partners in 2019.

As of the date hereof, Spirit Leaf is a party to 104 franchise agreements with various third parties. Out of the 104 franchise agreements to which Spirit Leaf is a party, 66 franchise agreements relate to retail cannabis stores intended to be opened in the Province of Alberta (five of which have already opened as of the date hereof), 10 franchise agreements relate to retail cannabis stores intended to be opened in the Province of British Columbia, 25 franchise agreements relate to retail cannabis stores intended to be opened, subject to compliance with the regulatory and legislative framework, in the Province of Ontario, and 3 franchise agreements relate to retail cannabis stores intended to be opened in the Province of Saskatchewan (one of which has already opened as of the date hereof).

Spirit Leaf Macleod Operations

The Corporation, through Spirit Leaf Macleod, subject to receiving necessary permits and approvals, intends to open the MOU Retail Store in Calgary, Alberta at 120, 6008 Macleod Trail SW, Calgary, Alberta. As at the date hereof, the MOU Retail Store only sells cannabis accessories and lifestyle retail goods as it has yet to receive all of the necessary permits and approvals required to open and operate as a retail cannabis store.

Watch It! Operations

Watch It! is a Canadian specialty retailer and franchisor that offers mid-priced brand name watches, sunglasses, accessories and watch repair services. Since 1999, Watch It! has created a reputable trademarked brand, an experienced management team, qualified franchisees, economies of scale and established operating procedures.

Watch It! currently operates six owned stores, seven franchise locations, the Watch It! e-commerce website (www.watchit.ca) and its own proprietary branded website (www.mediumwatches.com). Watch It! stores are currently located in the following cities: Burnaby, British Columbia; Kelowna, British Columbia; Calgary, Alberta; Edmonton, Alberta; Saskatoon, Saskatchewan; London, Ontario; Mississauga, Ontario; Niagara Falls, Ontario; Ottawa, Ontario; and Vaughan, Ontario. The business of Watch It! is seasonal, and is business from May to August and November to December of each year.

Competitive Conditions

Retail Spiritleaf-branded Stores

As at the date hereof, franchisees of Spirit Leaf operate four Spiritleaf-branded retail cannabis stores in Alberta and one Spiritleaf-branded retail cannabis store in Saskatchewan. A Spiritleaf-branded retail cannabis store is also operated by the Ontario Partner in Kingston, Ontario pursuant to the Ontario Partnership.

As a result of the Temporary Suspension and the Temporary Cap, the number of retail cannabis outlets operating in Alberta and Ontario remains below the number of retail cannabis outlets that would have

been in operation if the Temporary Suspension and the Temporary Cap had not enacted. It is expected that, while the Temporary Suspension and the Temporary Cap remain in effect, franchisees of Spirit Leaf operating Spiritleaf-branded retail cannabis stores, the Ontario Partner, and any Spiritleaf-branded retail cannabis stores opened by franchisees of Spirit Leaf, Spirit Leaf Macleod or Spirit Leaf Corporate, if any, will face an artificially lower level of general competition from other retail cannabis stores as compared to the alternative had the Temporary Suspension and the Temporary Cap not been enacted. It is important to note that competition between retail cannabis stores is significantly geographical in nature, and while the number of retail cannabis stores in operation in the Alberta and Ontario might be artificially low as a result of the Temporary Suspension and Temporary Cap, Spiritleaf-branded retail cannabis outlets could still face intense competition from other retail cannabis outlets that are located in the same local geographical area and that serve the same consumer demographic.

It is anticipated that if and when the Temporary Suspension and the Temporary Cap are lifted or if additional retail cannabis licenses or retail operator licenses are issued to retail cannabis stores while the Temporary Suspension and the Temporary Cap remain in effect, Spiritleaf-branded retail cannabis stores will face intense competition from other retailers, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Corporation, its subsidiaries, and franchisees of Spirit Leaf. Increased competition by numerous independent dispensaries and larger and better financed competitors could materially and adversely affect the business, financial condition and results of the proposed operations of the Corporation, its subsidiaries, and franchisees of Spirit Leaf.

Because of the preliminary stage of the recreational cannabis market in Canada, the Corporation expects that its subsidiaries and franchisees of Spirit Leaf will face competition from new entrants (subject to the Temporary Suspension and the Temporary Cap). To remain competitive, the Corporation and its subsidiaries will require a continued high level of investment in 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 operating results of the Corporation. The Corporation believes that its product knowledge, experience operating retail outlets under the Watch It! brand, and strategic partnerships with larger, established companies in the cannabis industry (including Auxly, Newstrike and High Park), will allow it to offset some of the risks associated with any increased competition in the retail cannabis market.

The Government of Canada has announced that the sale of edible cannabis products and concentrates will be permitted no later than 12 months following October 17, 2018. The Corporation and its subsidiaries expect to dedicate additional resources to explore the sale of edible products and concentrates as soon as they are lawfully permitted to do so.

Retail Watch It! Stores

The watch, sunglasses, and related accessory industries are highly competitive with general competitors including department stores, large mass-merchandising stores and warehouse clubs, such as The Bay, Simons, Nordstrom and Costco, among others. Watch It!'s stores compete with many retailing formats in the geographic areas in which they operate, including department stores, specialty stores, general merchandising stores, off-price and discount stores, new and established forms of home shopping (including the internet, mail order catalogues and television) and manufacturers' outlets. Significant competitors in the geographical regions in which Watch It! operates include Ann Louise and Ben Moss, among others.

There is no effective barrier to entry into the Canadian watch, sunglasses, and related accessory retailing marketplaces by any potential competitor, foreign or domestic. Additionally, Canadian consumers have a significant number of e-commerce shopping alternatives available to them on a global basis. Watch It! seeks to attract customers with a select offering of brands in an appealing shopping environment at conveniently located stores where it offers a high level of customer service. Additionally, Watch It! attempts, to the extent possible, to counter competition on the basis of price, fashion, service and quality.

Watch It! operates multiple retail locations in several Canadian provinces, with product offerings that are sufficiently diversified and consistently updated to keep up with consumer trends and demand. Watch It! also offers an e-commerce alternative for shoppers through its website <http://watchit.ca/>. The e-commerce retail landscape is highly competitive with both domestic and foreign competition.

Intellectual Property Protection

The following is a complete list of trademarks of the Corporation that have been applied for and/or are registered with the Registrar of Trademarks in Canada:

Marks:	Application / Registration No.	Application / Registration Date
SPIRIT LEAF	1833216	Application date of April 18, 2017 Allowed on February 22, 2019
WATCH IT!	1090587	Registration date of August 7, 2006
SPIRIT JOINT	1833217	Application date of April 18, 2017 Allowed on February 22, 2019
PRAIRIE FLOWER	1883143	Application date of February 14, 2018 Allowed on April 18, 2019

GENERAL DEVELOPMENT OF THE BUSINESS

Please refer to the section entitled "*General Development of the Business of the Company*" in the IPO Prospectus for a description of the general development of the business of the Corporation prior to the filing of the IPO Prospectus.

Closing of the IPO and Concurrent Transactions

On July 31, 2018, the Corporation successfully completed the IPO, issuing a total of 25,000,000 Units at a price of \$0.15 per Unit for total gross proceeds of \$3,750,000. Each Unit consisted of one Common Share and one-half of one IPO Warrant. Each IPO Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.30 per Common Share until July 31, 2020, subject to acceleration in certain cases. Leede acted as the Corporation's sole agent under the IPO and received an agent's fee comprised of \$375,000 and 2,500,000 IPO Agent's Options.

On July 31, 2018, the Corporation completed the Newstrike Transaction, pursuant to which both Newstrike and Inner Spirit acquired equity interests in each other and entered into a strategic alliance agreement for the retail distribution of Newstrike's Up Cannabis products. Newstrike made an aggregate investment in Inner Spirit valued at \$2.25 million, comprised of: (a) a cash payment in the amount of \$1,125,000; (b) 1,250,000 Newstrike Shares at a deemed value of \$0.90 per Newstrike Share; and (c) 1,125,000 Newstrike Warrants. In consideration for Newstrike's investment in Inner Spirit, Inner Spirit issued to Newstrike 15,000,000 Common Shares and 7,500,000 Warrants exercisable until July 31, 2010 at an exercise price of \$0.30 per Common Share.

In connection with the Newstrike Transaction, Auxly exercised the Auxly Anti-Dilution Right and acquired 2,647,059 Common Shares and 1,323,529.50 Warrants exercisable until July 31, 2010 at an exercise price of \$0.30 per Common Share, for an aggregate purchase price of \$397,058.85. In addition, Inner Spirit completed a concurrent private placement, issuing to Auxly an additional 4,411,765 Common Shares and 2,205,882.50 Warrants exercisable until July 31, 2010 at an exercise price of \$0.30 per Common Share, for an aggregate purchase price of \$661,764.75.

Retail Cannabis Store Acquisitions

On September 24, 2018, Spirit Leaf entered into an agreement (the "**2084 AB Agreement**") with 2084347 Alberta Ltd. ("**2084 AB**") and two principals of 2084 AB, pursuant to which, among other things, the franchise agreement dated December 12, 2017 between Spirit Leaf and 2084 AB was terminated. In connection with the 2084 AB Agreement, the Corporation entered into a general conveyance and bill of sale dated September 24, 2018 whereby the Corporation acquired from 2084 AB a cannabis store development permit issued by the City of Calgary in respect of a specific location (the "**September Acquisition**") and an offer to lease agreement in respect of such location, from 2084 AB in consideration for the Corporation issuing to 2084 AB 1,333,334 Common Shares at a deemed price of \$0.30 per Common Share. Subsequent to the closing of the September Acquisition, Spirit Leaf entered into a lease agreement in respect of the aforementioned location.

On October 26, 2018, Spirit Leaf Corporate entered into an asset purchase agreement with Indica Jasper Inc., pursuant to which Spirit Leaf Corporate acquired all of the assets of a retail cannabis store owned by Indica Jasper Inc. in the Town of Jasper, Alberta (the "**October Acquisition**"), which assets included a provisional permit issued by the Town of Jasper in respect of such retail cannabis store. The aggregate purchase price of the October Acquisition was \$440,000, payable as to \$400,000 in cash and \$40,000 paid through the issuance of 160,000 Common Shares at a deemed price of \$0.25 per Common Share by the Corporation to a principal of Indica Jasper Inc. In connection with the October Acquisition, on October 26, 2018, Spirit Leaf entered into an agreement with 2081418 Alberta Ltd. ("**2081 AB**") and a principal of 2081 AB, pursuant to which, among other things, the franchise agreement dated December 5, 2017 among Spirit Leaf, 2081 AB and the principal of 2081 AB for the territory of Jasper, Alberta was terminated (the "**October Termination**"). As consideration for the termination of the franchise agreement, the Corporation issued 100,000 Common Shares to 2081 AB at a deemed price of \$0.25 per Common Share.

On February 4, 2019, Spirit Leaf Corporate entered into an asset purchase agreement with 2104994 Alberta Ltd. ("**2014 AB**"), a franchisee of Spirit Leaf, whereby Spirit Leaf Corporate acquired from 2104 AB all of the assets of one retail cannabis store located in the City of Calgary, all of the assets of two retail cannabis stores located in the Town of Canmore, Alberta, the permits issued by the Town of Canmore, Alberta and the City of Calgary, Alberta in respect of such stores, and lease agreements in respect of such locations, for a purchase price of \$2,000,000 comprised of \$250,000 in cash, 7,075,472 Common Shares at a deemed price of \$0.212 per share, and a promissory note issued by Spirit Leaf Corporate in favour of 2104 AB in the amount of \$250,000, without interest, due and payable on February 5, 2020 (the "**February Acquisition**"). The February Acquisition closed on February 5, 2019.

Concurrently with the February Acquisition, Spirit Leaf terminated the franchisee relationship between it, 2104 AB and a principal of 2014 AB in respect of the three retail cannabis stores acquired pursuant to the February Acquisition.

Ontario Retail Arrangement

Spirit Leaf entered into an exclusivity agreement (the "**Exclusivity Agreement**") dated January 14, 2019 and a retail agreement dated February 6, 2019 (together with the Exclusivity Agreement, the "**Ontario Agreements**") with Daniel Telio (the "**Ontario Partner**"), one of the persons selected by the AGCO (as hereinafter defined) through a lottery as one of 25 parties eligible to apply for and, subject to various conditions and requirements, to receive a retail operator license to open a retail cannabis store and sell recreational cannabis in the Province of Ontario. Pursuant to the Ontario Agreements, Spirit Leaf and the Ontario Partner entered into a partnership (the "**Ontario Partnership**") whereby, among other things, the Ontario Partner will open a Spiritleaf-branded retail cannabis store in Kingston, Ontario upon the receipt by the Ontario Partner of a retail operator license by the AGCO and pay certain ongoing fees to Spirit Leaf, and in consideration therefor, Spirit Leaf and the Corporation will, among other things, issue to the Ontario Partner 5,000,000 Common Shares at a deemed price per Common Share of \$0.20. Pursuant to the Ontario Agreements and in connection with the partnership, Spirit Leaf loaned an aggregate of \$500,000 to the Ontario Partner, without interest, payable in equal monthly instalments commencing on April 30, 2019 up to and including April 30, 2023 (the "**Ontario Partnership Loan**"). The Ontario Partner issued a promissory note in favour of Spirit Leaf for the aggregate loan amount.

In March 2019, the AGCO approved the Ontario Partnership between Spirit Leaf and the Ontario Partner and issued a retail operator license to the Ontario Partner. Subsequently, on April 1, 2019, the Ontario Partner opened a Spiritleaf-branded retail cannabis store in Kingston, Ontario.

Director Resignation

Effective November 26, 2018, William Macdonald resigned from the Board of Directors. Concurrently with Mr. Macdonald's resignation, the Corporation and SugarBud, a company of which Mr. Macdonald was also a director, agreed to terminate their intention to enter into the SugarBud Strategic Alliance Agreement and also agreed to not complete the SugarBud Second Tranche as contemplated by the SugarBud Investment Agreement.

The Tilray Transaction

On December 3, 2018, the Corporation, Spirit Leaf, Tilray and High Park entered into the Tilray Investment Agreement. Pursuant to the terms and conditions of the Tilray Investment Agreement, the Corporation will issue to Tilray, pursuant to the Tilray First Tranche and the Tilray Second Tranche, Common Shares at an aggregate subscription price of \$4,500,000, payable as to \$2,250,000 in cash and \$2,250,000 in Tilray Shares. On December 10, 2018 the Corporation, Tilray and High Park completed the Tilray First Tranche, whereby the Corporation issued 11,335,013 Common Shares at a price of approximately \$0.1985 per Common Share for aggregate gross proceeds of \$2,250,000. Under the terms and conditions of the Tilray Investment Agreement, the Corporation, Spirit Leaf, Tilray and High Park have agreed, subject to certain conditions, to complete the Tilray Second Tranche on or about the date that is six months after the closing of the Tilray First Tranche.

On December 7, 2018, the Corporation and High Park entered into the Tilray Collaboration Agreement which governs the strategic relationship between the Corporation and High Park and which includes, among other things: (i) general terms and guidance for the development of zones promoting High Park's products specifically tailored for each Spiritleaf-branded retail cannabis store and which, subject to applicable laws, will represent 20% of the retail space at each Spiritleaf-branded location; and (ii) general terms whereby High Park will support the Corporation's and Spirit Leaf's charitable endeavours.

The foregoing is a summary only and is subject to the actual terms and conditions of the Tilray Investment Agreement and the Tilray Collaboration Agreement. For more information, see the full text of the Tilray Investment Agreement and the Tilray Collaboration Agreement on the Corporation's SEDAR profile at www.sedar.com.

A variety of factors may adversely affect the ability of the Corporation to complete the Tilray Second Tranche as contemplated or at all, or to achieve the anticipated benefits of the Tilray Transaction. See "*Risk Factors - Risks Related to the Tilray Transaction*".

Tilray Promissory Note

In March and April of 2019, the Corporation received an aggregate loan in the amount of CAD\$1,500,000 from Tilray (the "**Tilray Loan**"). As consideration for Tilray advancing the Tilray Loan to the Corporation, the Corporation issued a non-convertible promissory note dated March 5, 2019 in favour of Tilray (the "**Tilray Promissory Note**"). The Tilray Promissory Note matures on July 5, 2019 and carries a nominal interest rate of 12% per annum, with interest payable on the maturity date. The proceeds of the Tilray Loan were used to provide the Ontario Partnership Loan to the Ontario Partner, to fund the build-outs of the Mission Location and the Second Canmore Location, and for general working capital purposes.

PROVINCIAL REGULATORY FRAMEWORK FOR RECREATIONAL CANNABIS

Each province and territory in Canada is permitted to adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower maximum permitted quantities for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age is 18.

Retail-distribution models vary nationwide from one province and territory to another. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Provincial bodies act as intermediaries between entities licensed federally under the Cannabis Act to cultivate, produce and sell cannabis, and consumers, such provincial bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such provincial bodies acting as exclusive retailers. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs.

Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the Corporation's business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened.

As the laws continue to evolve, and the distribution models mature, there is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will continue to allow, or be conducive to, the Corporation's business model. See "*Risk Factors*".

See the "*Risk Factors*" section in this short form prospectus and the "*General Development of the Business of the Company – Regulatory Framework*" section in the IPO Prospectus.

Ontario Regulatory Framework

On September 8, 2017, the Government of Ontario announced its proposed plan to give the existing Liquor Control Board of Ontario (the "LCBO") the oversight of retail sales of recreational cannabis in Ontario, upon the legalization of recreational cannabis in Canada. On December 12, 2017, the Ontario government passed the *Cannabis Control Act, 2017* (Ontario) (the "**Cannabis Control Act**"), which regulates certain aspects of the lawful use, sale and distribution of recreational cannabis in Ontario. The Cannabis Control Act, among other matters: (a) created a new provincial retailer overseen by the LCBO, the Ontario Cannabis Retail Corporation, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, was supposed to comprise the only channels through which consumers would be able to legally purchase recreational cannabis in Ontario; (b) set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and (c) permitted the smoking or vaping of cannabis wherever smoking of tobacco is permitted in Ontario.

On October 17, 2018, the *Cannabis Statute Law Amendment Act, 2018* (Ontario) came into force in Ontario and amended several aspects of Ontario's cannabis regulatory regime, including the Cannabis Control Act, and enacted the *Cannabis Licence Act, 2018* (Ontario) (the "**Ontario Cannabis Act**") which came into force on November 16, 2018. The Ontario Cannabis Act sets out the licensing scheme for private cannabis retail stores in Ontario.

On November 14, 2018, the Government of Ontario passed regulations (the "**Ontario Regulations**") under the Ontario Cannabis Act, regulating the licensing of privately owned retail cannabis stores in the Province of Ontario. The Ontario Regulations, which came into force on November 16, 2018, stipulate, among other restrictions, that: (a) a cannabis retail store authorization will not be granted to an applicant if such applicant already holds 75 retail store authorizations, or if such applicant and its affiliates between them already hold 75 retail store authorizations; (b) cannabis retailers are not permitted to allow anyone who appears under the age of 25 to enter their stores unless identification is provided to evidence such individual is at least 19 years of age; (c) cannabis retail storefronts must be stand-alone stores only; (d) individuals with a cannabis retail store authorization, cannabis retail managers and all retail employees are required to complete approved training; (e) cannabis retail stores cannot be located within 150 meters of a school; (f) cannabis retail stores cannot be open outside the hours of 9 a.m. and 11 p.m.; (g) it is a condition of a cannabis retail store authorization that the holder not enter into contracts or agreements with any person or entity for the provision of cannabis distribution services, other than with the Ontario Cannabis Retail Corporation or its own employees; and (h) a corporation is not eligible to be issued a retail operator license if more than 9.9% of the corporation is owned or controlled, directly or indirectly, by one or more licensed producers under the Cannabis Act ("**Licensed Producers**") or their affiliates.

Retailers are required to hold a general retail operator licence, as well as a retail store authorization for each premise. Certain employees occupying positions of authority at retail stores are required to hold cannabis retail manager licences. Licences and authorizations will not be transferable. Licensed Producers who are authorized to produce cannabis for commercial purposes, and their affiliates, are collectively limited to a single retail store authorization in Ontario under the Ontario Cannabis Act.

There is no assurance that all, or any, of the Spirit Leaf franchise retail cannabis stores that franchisees of Spirit Leaf intend to open in the Province of Ontario will be permitted to open. Furthermore, as at the date hereof, more than 9.9% of the issued and outstanding Common Shares are owned or controlled, directly or indirectly, by one or more Licensed Producers or their affiliates. Consequently, the Corporation and its subsidiaries, including Spirit Leaf Corporate, are currently prohibited from obtaining retail operator licenses in the Province of Ontario under the Ontario Regulations. See "Risk Factors".

Temporary Cap in Ontario

On December 13, 2018, the Government of Ontario announced that a temporary cap of 25 retail operator licenses will be imposed while cannabis supply stabilizes (the "**Temporary Cap**"). The Government of Ontario gave the AGCO the mandate to hold a lottery to determine who may apply for retail operator licenses. The retail operator licenses lottery was subsequently held in January, 2019. The AGCO has indicated that the Temporary Cap will be maintained until December, 2019.

There is no assurance that the Temporary Cap will be lifted by the Government of Ontario, or, if the Temporary Cap is lifted by the Government of Ontario, that all, or any, of the franchisees of Spirit Leaf will be able to obtain retail operator licenses from the AGCO, which would have a material adverse effect on the Corporation.

Alberta Regulatory Framework

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

Temporary Suspension in Alberta

Distribution of recreational cannabis in the Province of Alberta is carried out through a hybrid retail model under the oversight of the Alberta Gaming, Liquor and Cannabis Commission (the "**AGLC**"). On November 21, 2018, the AGLC temporarily suspended accepting new retail cannabis license applications and issuing any additional retail cannabis licenses (the "**Temporary Suspension**"). Pursuant to a statement from the President and Chief Executive Officer of the AGLC released on November 21, 2018 (the "**AGLC Statement**"), the Temporary Suspension was enacted due to a national shortage of recreational cannabis product which resulted in the supply of most products running out. The AGLC Statement further notes that licensed producers are working with Health Canada to receive their licenses and increase the amount of product available across the country. As at the date hereof, the AGLC has not yet indicated when it anticipates lifting the Temporary Suspension, if at all.

Prior to the enactment of the Temporary Suspension, franchisees of Spirit Leaf in Alberta obtained three retail cannabis licenses from the AGLC to open retail cannabis stores in the Province of Alberta, while a total of 34 retail cannabis license applications by franchisees of Spirit Leaf and three retail cannabis license applications by Spirit Leaf Corporate remain in various stages of progress.

In January 2019, the AGLC issued 10 additional retail cannabis licenses to applicants that met all licensing conditions after the Temporary Suspension was enacted. A franchisee of Spirit Leaf in Calgary, Alberta received one of the additional retail cannabis licenses, and subsequently began operating a Spiritleaf-branded retail cannabis store. The AGLC has indicated that it maintains a queue of approved retailers on a first-in, first-out basis to ensure that an equitable process is adhered to. In May 2019, the AGLC issued an additional 26 retail cannabis licenses, which included a retail cannabis license issued to a franchisee of Spirit Leaf in Edmonton, Alberta.

There is no assurance that the Temporary Suspension will be lifted by the AGLC, or, if the Temporary Suspension is lifted by the AGLC, that all, or any, of Spirit Leaf Corporate, Spirit Leaf Macleod and the franchisees of Spirit Leaf will be able to obtain retail cannabis licenses from the AGLC, which would have a material adverse effect on the Corporation.

Other Provincial Regulatory Frameworks

Manitoba: The Government of Manitoba has implemented a "hybrid model" for cannabis distribution, whereby supply is secured and tracked by the Manitoba Liquor and Lotteries Corp.; however licensed private retail stores are also permitted to sell recreational cannabis.

British Columbia: Recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor and Cannabis Regulation Branch handling wholesale distribution.

Saskatchewan: The Government of Saskatchewan implemented a framework in which recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority is to issue a limited number of retail permits to private stores located in communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

CONSOLIDATED CAPITALIZATION

As of the date hereof, the Corporation has issued and outstanding 193,469,996 Common Shares, 17,901,677 Warrants, 12,500,000 IPO Warrants, 13,820,000 Options and 2,500,000 IPO Agent's Options. The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2018, and as at the date of this Prospectus (i) before giving effect to the Offering, (ii) after giving effect to the Minimum Offering and assuming the Over-Allotment Option is not exercised, (iii) after giving effect to the Minimum Offering and assuming the Over-Allotment Option is exercised in full, (iv) after giving effect to the Maximum Offering and assuming the Over-Allotment Option is not exercised, and (iii) after giving effect to the Maximum Offering and assuming the Over-Allotment Option is exercised in full. Prospective investors should read the following table in conjunction with the "Use of Proceeds" appearing elsewhere in this Prospectus.

Description of Security	Outstanding as at December 31, 2018	Outstanding as at the date of this short form prospectus	Outstanding after giving effect to the Minimum Offering ⁽¹⁾⁽²⁾		Outstanding after giving effect to the Maximum Offering ⁽¹⁾⁽²⁾	
			Assuming No Exercise of the Over-Allotment Option	Assuming Exercise of the Over-Allotment Option	Assuming No Exercise of the Over-Allotment Option	Assuming Exercise of the Over-Allotment Option
Common Shares	186,179,524	193,469,996	198,469,996	198,469,996	198,469,996	198,469,996
Warrants	17,901,677	17,901,677	17,901,677	17,901,677	17,901,677	17,901,677
Options	14,585,000	13,820,000	13,820,000	13,820,000	13,820,000	13,820,000
IPO Warrants	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
IPO Agent's Options	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Compensation Options	Nil	Nil	1,080,000 Compensation Options	1,780,000 Compensation Options	1,500,000 Compensation Options	2,200,000 Compensation Options
Unit Warrants	Nil	Nil	\$1,068,000 ⁽³⁾ 12,000,000 Unit Warrants	\$1,513,000 ⁽³⁾ 17,000,000 Unit Warrants	\$1,335,000 ⁽³⁾ 15,000,000 Unit Warrants	\$1,780,000 ⁽³⁾ 20,000,000 Unit Warrants
Convertible Debentures	Nil	Nil	\$4,932,000 ⁽⁴⁾ 6,000 Convertible Debentures	\$6,987,000 ⁽⁴⁾ 8,500 Convertible Debentures	\$6,165,000 ⁽⁴⁾ 7,500 Convertible Debentures	\$8,220,000 ⁽⁴⁾ 10,000 Convertible Debentures
Tilray Loan	Nil	\$1,500,000	Nil ⁽⁵⁾	Nil ⁽⁵⁾	Nil ⁽⁵⁾	Nil ⁽⁵⁾

Notes:

- (1) After deducting the Agents' Fee and the estimated expenses of the Offering of \$250,000, and assuming 3,750 Debenture Units are sold to the President's List Purchasers.
- (2) Assuming 5,000,000 Common Shares are issued to the Ontario Partner pursuant to the Ontario Partnership prior to the closing of the Offering. See "*General Development of the Business – Ontario Retail Arrangement*".
- (3) The Black Scholes pricing model was used to calculate the value of the Unit Warrants utilizing the following assumptions: (a) a price per Common Share of \$0.20; (b) an exercise price of \$0.25 per Unit Warrant; (c) the Unit Warrants expiring eighteen (18) months following the issuance thereof; (d) a risk free interest rate of 1.6%; and (e) price volatility of 108.66%.
- (4) Calculated using the Offering Price of the Debenture Units and deducting therefrom the value of the Unit Warrants comprising the Debenture Units.
- (5) Assuming the Tilray Loan is repaid concurrently with the closing of the Offering as anticipated. See "Use of Proceeds".

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of Debenture Units at the Offering Price of \$1,000 per Debenture Unit. Each Debenture Unit consists of one Convertible Debenture in the principal amount of \$1,000 and 2,000 Unit Warrants.

Convertible Debentures

The following is a summary of the material attributes and characteristics of the Convertible Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Debenture Indenture, which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com.

General

The Convertible Debentures will be issued under and governed by the Debenture Indenture. Computershare will act as the debenture trustee under the Debenture Indenture, and is also the Corporation's transfer agent and registrar.

Pursuant to the Offering, the Corporation will issue, at a minimum, Convertible Debentures in the aggregate principal amount of \$6,000,000 (\$8,500,000 in the event that the Over-Allotment Option is exercised in full), and, at a maximum, an aggregate principal amount of \$7,500,000 (\$10,000,000 in the event that the Over-Allotment Option is exercised in full). The Convertible Debentures will be dated as of the Closing Date and will mature on June 30, 2022, regardless of any exercise of the Over-Allotment Option. The Convertible Debentures will be issuable only in denominations of \$1,000 and multiples thereof and will bear interest from and including the date of issue at 12% per annum, which will be payable in cash, semi-annually in arrears on June 30 and December 31 of each year (the "**Interest Payment Dates**"), commencing on June 30, 2020. The first interest payment will include interest accrued from the Closing Date to, but excluding, June 30, 2020. Assuming the Closing Date occurs on May 24, 2019, the first interest payment payable on June 30, 2020 will be in the amount of \$132.49 per \$1,000 principal amount of Convertible Debentures and each subsequent interest payment will be in the amount of \$60 per \$1,000 principal amount of Convertible Debentures. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

No fractional Debenture Shares will be issuable upon the conversion or redemption of any Convertible Debentures, and no cash or other consideration will be paid in lieu of fractional shares. Debentureholders will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

Payment

Payments of interest and principal on the Convertible Debentures will be made to CDS or its nominee, as the case may be, as the registered holder of the Convertible Debentures. As long as CDS is the registered holder of the Convertible Debentures, CDS or its nominee will be considered the sole legal owner of the Convertible Debentures for the purposes of receiving payments of interest and principal on the Convertible Debentures and for all other purposes under the Debenture Indenture and the Convertible Debentures. Interest payments will be made by electronic funds transfer or certified cheque on the Interest Payment Date and delivered to CDS or its nominee, as the case may be.

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

Conversion Privilege

The Principal Amount of each Convertible Debenture will be convertible, for no additional consideration, into fully paid, non-assessable and freely-tradeable Debenture Shares at the option of the holder at any time prior to the close of business on the earlier of: (i) on the business day immediately prior to the Maturity Date, (ii) if called for Redemption, on the business day immediately preceding the Redemption Date, and (iii) the business day immediately preceding the fifth business day prior to a Change of Control Purchase Date for a Debenture Purchase upon a Change of Control, at the Conversion Price, subject to Mandatory Conversion.

No fraction of a Debenture Share will be issued upon conversion of the Convertible Debentures. Notwithstanding the foregoing, no Convertible Debentures may be converted on an Interest Payment Date or during the five business days preceding each Interest Payment Date.

Mandatory Conversion

On or after December 31, 2020, the Corporation will be entitled to force the conversion of the Principal Amount of the then outstanding Convertible Debentures and any accrued and unpaid interest thereof at the Conversion Price on not less than 30 days' prior written notice should the daily volume weighted average trading price of the Common Shares on the CSE be equal to or greater than \$0.35 for 20 consecutive trading days, subject to the Mandatory Conversion being permitted under the policies of the CSE for any trading of the Convertible Debentures and Common Shares at that time.

Mandatory Redemption

On or after December 31, 2020, the Corporation will be entitled to redeem the Convertible Debentures, in whole or in part, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption

price equal to the Principal Amount of the Convertible Debentures being redeemed plus accrued and unpaid interest thereon, should the daily volume weighted average trading price of the Common Shares on the CSE be equal to or greater than \$0.35 for the 20 consecutive trading days ending five trading days prior to the date on which such notice is provided, subject to the Mandatory Redemption being permitted under the policies of the CSE for any trading of the Common Shares at that time.

Conversion Adjustments

Subject to the terms and conditions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including, without limitation: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or other distribution to all or substantially all holders of Common Shares; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares in certain circumstances and (iv) the distribution to all or substantially all holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

Change of Control of the Corporation

Upon the occurrence of: (i) any event as a result of or following which any person, or group of persons "acting jointly or in concert" within the meaning of applicable Canadian securities laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation (each, a "**Change of Control**"), Debentureholders will have the right, exercisable at any time not later than five business days prior to the Change of Control Purchase Date and in their sole discretion, to require the Corporation to either: (i) purchase the Convertible Debentures at a price equal to 100% of the Principal Amount, plus any accrued and unpaid interest and plus the Effective Interest, or (ii) convert the Principal Amount plus any accrued and unpaid interest and plus the Effective Interest at the Conversion Price. In the event that a Convertible Debenture holder does not exercise the Change of Control Right, the Corporation shall have the right, but not the obligation, to carry out the Debenture Purchase or the Change Conversion, in its sole discretion, on the Change of Control Purchase Date. The "**Change of Control Purchase Date**" shall be the date that is 30 business days after the date that a Change of Control Notice is delivered by the Corporation to holders of Convertible Debentures. The Convertible Debentures will carry no other rights of redemption for Debentureholders.

Neither the Mandatory Conversion nor the Mandatory Redemption may be exercised by the Corporation if a transaction that would result in a Change of Control has been publicly announced, offered or made and not withdrawn or expired, as the case may be.

Ranking

The Convertible Debentures will rank senior to all existing secured indebtedness of the Corporation upon Closing, subject to the Tilray Repayment (as hereinafter defined). The Tilray Promissory Note will be repaid with the net proceeds from the Offering within a reasonable period of time following the Closing Date (the "**Tilray Repayment**"). The Convertible Debentures will rank *pari passu* in the right of payment of principal and interest with all other Convertible Debentures issued under the Offering and any future senior secured indebtedness of the Corporation including but not limited to, all trade creditors. The Debenture Indenture will not restrict the Corporation or its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its properties to secure any indebtedness or liabilities.

Payment Upon Maturity

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

Events of Default

Subject to the terms and conditions thereof, the Debenture Indenture will provide, among other things, that any one or more of the following events shall constitute an event of default ("**Event of Default**") with respect to the Convertible Debentures: (i) default in payment of principal of (and premium, if any) on any Convertible Debentures when due, whether at maturity, upon a Change of Control or otherwise (whether such payment is due in cash, Common Shares or other securities or property or a combination thereof); (ii) default in payment of interest on any Convertible Debentures when due and payable and the continuance of any such default for 10 days; (iii) default in performing or observing any material covenant, condition, agreement or obligation of the Corporation and the continuance of such default for 30 days after the date on which written notice of such default has been given to the Corporation by Computershare or by Debentureholders holding not less than 25% in principal amount of the outstanding specifying such default and requiring the Corporation to rectify the same; (iv) certain events of bankruptcy, insolvency or reorganization of the Corporation under applicable bankruptcy or insolvency laws; (v) default in the delivery, when due, of all cash and any Common Shares or other consideration payable on conversion with respect to the Convertible Debentures, which default continues for 15 days; (vi) a resolution is passed for the winding-up or liquidation of the Corporation or any material subsidiary or (vii) any proceedings with respect to the Corporation or any material subsidiary are taken with respect to a compromise or arrangement with respect to creditors of the Corporation or any material subsidiary generally, under the applicable legislation of any jurisdiction.

Subject to the terms and conditions thereof, the Debenture Indenture will provide that if an Event of Default shall occur and be continuing with respect to a Convertible Debenture issued thereunder, then Computershare may, in its discretion, and shall, upon request of the Debentureholders not less than 25% in principal amount of outstanding Convertible Debentures, declare the principal of (and premium, if any) together with accrued interest on all Convertible Debentures to be due and payable immediately upon written notice to the Corporation. In certain cases, the holders of a majority of the principal amount of Convertible Debentures then outstanding may, on behalf of the Debentureholders, waive any Event of Default and/or cancel any such declaration upon such terms as such Debentureholders shall prescribe.

No Debentureholder will have any right to pursue any remedy (including any action, suit or proceeding authorized or permitted by the Debenture Indenture or pursuant to applicable law) with respect to the Debenture Indenture, the Convertible Debenture unless: (i) the Debentureholder gives to Computershare written notice of the happening of an event of default; (ii) the Debentureholders by Extraordinary Resolution (defined in the Debenture Indenture as a resolution passed by the favourable votes of the holders of not less than 66⅔% of the principal amount of the Convertible Debentures) or by written instrument signed by the holders of at least 25% in principal amount of the Convertible Debentures then outstanding shall have made a request to Computershare shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; (iii) the Debentureholders or any of them shall have furnished to Computershare, when so requested by Computershare, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (iv) Computershare shall have failed to act within a reasonable time after such notification, request and offer

of indemnity and such notification, request and offer of indemnity are declared in every such case, at the option of Computershare, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the Debentureholders.

Cancellation

All Convertible Debentures converted, redeemed, repurchased or purchased as aforesaid will be cancelled by Computershare forthwith and may not be reissued or resold.

Modification

The rights of Debentureholders as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture (and any supplements related thereto). For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all Debentureholders any resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Convertible Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Convertible Debentures, as applicable.

Unit Warrants

The following is a summary of the material attributes and characteristics of the Unit Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant Indenture, which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com.

Each Unit Warrant will entitle the holder thereof to acquire, subject to adjustment as summarized below, one Warrant Share at an exercise price of \$0.25 per Warrant Share on or before 5:00 p.m. (Calgary time) on the date that is eighteen (18) months after the Closing Date, after which time the Unit Warrants will be void and of no value. For greater certainty, all Unit Warrants, including the Unit Warrants issued pursuant to, or in connection with, the Over-Allotment Option, will expire on the date that is eighteen (18) months from the Closing Date.

The Unit Warrants will be issued under and governed by the Warrant Indenture to be entered into on the Closing Date between the Corporation and Computershare, as warrant agent. The Corporation will appoint the principal transfer office of Computershare in Calgary, Alberta as the location at which the Unit Warrants may be surrendered for exercise, transfer or exchange.

The Unit Warrants and the Warrant Shares have not been and will not be registered under the 1933 Act or any applicable state securities laws, and the Unit Warrants may not be exercised by or on behalf of a person in the United States or a U.S. Person unless an exemption from such registration is available and documentation to that effect is provided in accordance with the terms of the Warrant Indenture.

The Unit Warrants may be issued in uncertificated form. Any Unit Warrants issued in certificated form shall be evidenced by a warrant certificate in the form attached to the Warrant Indenture. All Unit Warrants issued in the name of CDS may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book-entry position on the register of Warranholders to be maintained by Computershare at its principal offices in Calgary, Alberta.

Subject to the terms and conditions thereof, the Warrant Indenture will provide for the adjustment of the number of securities issuable upon exercise of the Unit Warrants and/or exercise price per Warrant Share in certain events including, without limitation: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or other distribution to all or substantially all holders of Common Shares; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares in certain circumstances and (iv) the distribution to all or substantially all holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

The Warrant Indenture will also provide that, during the period in which the Unit Warrants are exercisable, it will give notice to the Warrantholders of certain stated events, including events that would result in an adjustment to the exercise price for the Unit Warrants or the number of Warrant Shares issuable upon exercise of the Unit Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such events.

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

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

The Warrant Indenture will provide that, from time to time, the Corporation may amend or supplement the Warrant Indenture for certain purposes, without the consent of the Warrantholders, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrantholders may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the Warrantholder at which there are Warrantholders present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Unit Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of the Warrantholders present in person or by proxy shall form a quorum) and passed by the affirmative vote of the Warrantholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Unit Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the Warrantholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Unit Warrants.

Compensation Options

As additional consideration for the services rendered in connection with the Offering, the Corporation has agreed to issue to the Agents the Compensation Options entitling the Agents to purchase that number of Compensation Shares that is equal to: (i) 7% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to purchasers other than the President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option); plus (ii) 3% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to the President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option). Each Compensation

Option will entitle the holder thereof to acquire one Compensation Share at an exercise price of \$0.25 per Compensation Share for a period of eighteen (18) months following the Closing Date, subject to customary adjustments in certain events.

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

The Compensation Options and the Compensation Shares have not been and will not be registered under the 1933 Act, and the Compensation Options may not be exercised in the United States or by, or for the account or benefit of, any U.S. Person or person in the United States, except pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws.

No fractional Compensation Shares will be issuable upon the exercise of any Compensation Options, and no cash or other consideration will be paid in lieu of fractional shares.

DIVIDENDS AND DISTRIBUTIONS

The Corporation has not paid any dividends on its Common Shares. It is the present intention of the Board to retain any earnings to finance the growth and development of the Corporation's business and therefore the Corporation does not anticipate paying any dividends in the immediate or foreseeable future.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value, issuable in series.

Common Shares

The holders of Common Shares are entitled to: (i) receive notice of and to vote at every meeting of shareholders of the Corporation and shall have one vote thereat for each such Common Share so held; (ii) receive such dividend as the Board of Directors may from time to time declare on the Common Shares subject to the rights, privileges, restrictions and conditions attached to the preferred shares; and (iii) subject to the rights, privileges, restrictions and conditions attached to the preferred shares, receive the remaining property of the Corporation on dissolution, liquidation or winding up. As of the date of this Prospectus, there are 198,469,996 Common Shares issued and outstanding.

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares without nominal or par value, of which, as at the date hereof, none have been issued. The preferred shares may be issued in one or more series, and the Board of Directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The preferred shares are entitled to a priority over the Common Shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Corporation. As of the date of this Prospectus, there are no preferred shares issued and outstanding.

PRIOR SALES

The following table summarizes the issuances by the Corporation of Common Shares, and securities convertible into Common Shares, within the 12 months prior to the date hereof.

<u>Date of Issue</u>	<u>Number and Type of Security</u>	<u>Price/Deemed Price/Exercise Price of Security</u>
May 11, 2018	100,000 Warrants	\$0.10
May 11, 2018	600,000 Warrants	\$0.15
June 22, 2018	8,823,529 Common Shares	\$0.15
June 22, 2018	4,411,765 Warrants	\$0.30
July 31, 2018	47,058,824 Common Shares	\$0.15
July 31, 2018	11,029,412 Warrants	\$0.30
July 31, 2018	12,500,000 IPO Warrants	\$0.30
July 31, 2018	2,500,000 Agent's Options	\$0.15
August 28, 2018	360,500 Warrants	\$0.28
August 29, 2018	100,000 Warrants	\$0.30
August 30, 2018	100,000 Common Shares ⁽¹⁾	\$0.10
September 10, 2018	60,000 Common Shares ⁽²⁾	\$0.10
September 24, 2018	1,333,334 Common Shares ⁽³⁾	\$0.30
September 28, 2018	50,000 Common Shares ⁽¹⁾	\$0.10
October 26, 2018	100,000 Common Shares ⁽⁴⁾	\$0.25
October 30, 2018	160,000 Common Shares ⁽⁵⁾	\$0.25
November 9, 2018	100,000 Common Shares ⁽¹⁾	\$0.10
December 10, 2018	11,335,013 Common Shares ⁽⁶⁾	\$0.20
December 10, 2018	5,600,000 Options	\$0.20
December 10, 2018	150,000 Warrants	\$0.20
December 10, 2018	100,000 Warrants	\$0.30
February 5, 2019	7,075,472 Common Shares ⁽⁷⁾	\$0.212
February 13, 2019	60,000 Common Shares ⁽²⁾	\$0.10
February 15, 2019	60,000 Common Shares ⁽²⁾	\$0.10
April 25, 2019	20,000 Common Shares ⁽²⁾	\$0.10
May 8, 2019	30,000 Common Shares ⁽²⁾	\$0.10
May 17, 2019	45,000 Common Shares ⁽²⁾	\$0.10

Notes:

- (1) Issued pursuant to the exercise of Warrants.
- (2) Issued pursuant to the exercise of Options.
- (3) Issued pursuant to the September Acquisition.
- (4) Issued pursuant to the October Termination.
- (5) Issued pursuant to the October Acquisition.
- (6) Issued pursuant to the Tilray First Tranche.
- (7) Issued pursuant to the February Acquisition.

TRADING PRICE AND VOLUME

The Common Shares are traded on the CSE under the symbol "ISH". The table below sets forth the price range and trading volumes for the Common Shares on the CSE, as reported by the CSE, for the periods indicated.

Date	Price Range		Trading Volume
	High (\$)	Low (\$)	
2018			
August	\$0.91	\$0.21	17,748,655
September	\$0.38	\$0.26	15,014,536
October	\$0.345	\$0.23	13,018,278
November	\$0.275	\$0.18	6,219,395
December	\$0.225	\$0.115	7,095,936
2019			
January	0.25	0.13	11,002,762
February	0.235	0.195	7,722,094
March	0.305	0.195	10,471,704
April	0.285	0.19	8,105,205
May 1 – 16	0.21	0.185	3,836,061

ESCROWED SECURITIES

The following table summarizes the securities of the Corporation subject to escrow as at December 31, 2018:

Designation of Class	Number of Securities held in Escrow or that are Subject to a Contractual Restriction on Transfer ⁽¹⁾⁽²⁾⁽³⁾	Percentage of Class ⁽⁴⁾
Common Shares	34,329,468	18.44%
Options	3,573,000	24.50%
Warrants	595,588	3.33%

Notes:

- (1) Held in escrow pursuant to an escrow agreement dated July 20, 2018 among the Corporation, Computershare and certain securityholders of the Corporation (the "IPO Escrow Agreement").
- (2) An additional 5,721,578 Common Shares, 595,500 Options and 99,265 Warrants were released from escrow on January 30, 2019.
- (3) 337,500 Options owned by William Macdonald and held in escrow terminated on February 24, 2019, in accordance with their terms, as a result of Mr. Macdonald's resignation from the Board of Directors on November 26, 2018.
- (4) Based on 186,179,524 Common Shares, 14,585,000 Options and 17,901,677 Warrants (not including the IPO Warrants), issued and outstanding as December 31, 2018.

Pursuant to the IPO Escrow Agreement, the following automatic timed releases will apply to the securities listed in the table above:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
January 30, 2019	1/6 of the remaining escrowed securities
July 30, 2019	1/5 of the remaining escrowed securities
January 30, 2020	1/4 of the remaining escrowed securities
July 30, 2020	1/3 of the remaining escrowed securities
January 30, 2021	1/2 of the remaining escrowed securities
July 30, 2021	The remaining escrowed securities

USE OF PROCEEDS

The estimated net proceeds to be received by the Corporation from the Minimum Offering are expected to be approximately \$5,480,000 after deducting the Agents' Fee of \$270,000 payable to the Agents (assuming 3,750 Debenture Units are sold to the President's List Purchasers) and the estimated expenses of the Offering of \$250,000. The estimated net proceeds to be received by the Corporation from the Maximum Offering are expected to be approximately \$6,875,000 after deducting the Agents' Fee of \$375,000 payable to the Agents (assuming 3,750 Debenture Units are sold to the President's List Purchasers) and the estimated expenses of the Offering of \$250,000. The completion of the Offering is subject to the Minimum Offering being achieved. See "*Plan of Distribution*".

If the Over-Allotment Option is exercised in full, the Corporation will receive additional net proceeds of approximately \$2,325,000 after deducting the Agents' Fee of \$175,000 payable to the Agents in respect of the Over-Allotment Debenture Units.

Principal Purposes

Minimum Offering

The Corporation currently anticipates using the estimated net proceeds from the Minimum Offering (assuming 3,750 Debenture Units are sold to the President's List Purchasers, and assuming no exercise of the Over-Allotment Option) as set forth in the following table:

Principal Purpose	Approximate Use of Net Proceeds ⁽⁶⁾
Allocation for capital expenditures for building-out three wholly-owned corporate Spiritleaf-branded retail cannabis stores ⁽¹⁾	\$450,000
Inventory purchases for seven wholly-owned corporate Spiritleaf-branded retail cannabis stores and the MOU Retail Store.....	\$600,000
Lease acquisition and maintenance costs in the Province of Ontario ⁽²⁾	\$500,000
Spiritleaf custom inventory ⁽³⁾	\$470,000
Repayment of the Tilray Loan (including interest) and the discharge of the Tilray Promissory Note ⁽⁴⁾	\$1,540,531
Unallocated working capital ⁽⁵⁾	\$1,919,469
Total	\$5,480,000

Notes:

- (1) Representing capital expenditures of approximately \$300,000 per retail cannabis store, other than in respect of the First Canmore Location, for which capital expenditures are estimated to be approximately \$150,000. As at the date hereof, four wholly-owned corporate Spiritleaf-branded retail cannabis stores are fully built-out, two locations are approximately half-built (the build-out of these

stores will be completed in the event that the Minimum Offering is completed), and four locations are ready to begin construction (of which only the First Canmore Location would be built-out in the event that the Minimum Offering is completed).

- (2) For the acquisition of various lease properties through deposits to secure real-estate to support the Corporation's planned franchise expansion in Ontario, subject to compliance with the regulatory and legislative framework, and for the payment of lease costs under such leases until the Temporary Cap is lifted, if at all, or up to February 2020.
- (3) For the design and production of Spiritleaf inventory including, but not limited to, items such as rolling papers, grinders, branded clothing and other cannabis accessories that will be sold to franchisees of Spirit Leaf or to end consumers through wholly-owned corporate Spiritleaf-branded retail cannabis stores.
- (4) The Corporation intends to repay the Tilray Loan (including interest) concurrently with the closing of the Offering.
- (5) To the extent that the Corporation has negative cash flow in any future period, the Corporation will use this amount and its current cash balance of approximately \$1,348,943 to fund such negative cash flow from operating activities. See "Use of Proceeds – Negative Operating Cash Flow".
- (6) As at April 30, 2019 the Corporation had working capital of approximately \$2,688,199, which includes \$1,348,943 in cash and accounts for the principal amount of the Tilray Loan of \$1,500,000. The net proceeds from the Offering will supplement the Corporation's existing cash balance.

The above noted allocations represent the Corporation's intentions with respect to its use of proceeds based on current knowledge, planning and expectations of management of the Corporation. Actual expenditures may differ from the estimates set forth above. There may be circumstances where for sound business reasons, the Corporation reallocates the use of proceeds. See "Risk Factors".

Until applied, the net proceeds will be held as cash balances in the Corporation's bank account or invested in certificates of deposit and other instruments issued by banks or obligations of or guaranteed by the Government of Canada or any province thereof.

Maximum Offering

The Corporation currently anticipates using the estimated net proceeds from the Maximum Offering (assuming 3,750 Debenture Units are sold to the President's List Purchasers, and assuming no exercise of the Over-Allotment Option) as set forth in the following table:

Principal Purpose	Approximate Use of Net Proceeds⁽⁶⁾
Allocation for capital expenditures for building-out six wholly-owned corporate Spiritleaf-branded retail cannabis stores ⁽¹⁾	\$1,350,000
Inventory purchases for ten wholly-owned corporate Spiritleaf-branded retail cannabis stores and the MOU Retail Store.....	\$825,000
Lease acquisition and maintenance costs in the Province of Ontario ⁽²⁾	\$500,000
Spiritleaf custom inventory ⁽³⁾	\$500,000
Repayment of the Tilray Loan (including interest) and the discharge of the Tilray Promissory Note ⁽⁴⁾	\$1,540,531
Unallocated working capital ⁽⁵⁾	\$2,159,469
Total	\$6,875,000

Notes:

- (1) Representing capital expenditures of approximately \$300,000 per retail cannabis store, other than in respect of the First Canmore Location, for which capital expenditures are estimated to be approximately \$150,000. As at the date hereof, four wholly-owned corporate Spiritleaf-branded retail cannabis stores are built-out, two locations are approximately half-built, and four locations are ready to begin construction.
- (2) For the acquisition of various lease properties through deposits to secure real-estate to support the Corporation's planned franchise expansion in Ontario, subject to compliance with the regulatory and legislative framework, and for the payment of lease costs under such leases until the Temporary Cap is lifted, if at all, or up to February 2020.
- (3) For the design and production of Spiritleaf inventory including, but not limited to, items such as rolling papers, grinders, branded clothing and other cannabis accessories that will be sold to franchisees of Spirit Leaf or to end consumers through wholly-owned corporate Spiritleaf-branded retail cannabis stores.

- (4) The Corporation intends to repay the Tilray Loan (including interest) concurrently with the closing of the Offering.
- (5) To the extent that the Corporation has negative cash flow in any future period, the Corporation will use this amount and its current cash balance of approximately \$1,348,943 to fund such negative cash flow from operating activities. See "Use of Proceeds – Negative Operating Cash Flow".
- (6) As at April 30, 2019 the Corporation had working capital of approximately \$2,688,199, which includes \$1,348,943 in cash and accounts for the principal amount of the Tilray Loan of \$1,500,000. The net proceeds from the Offering will supplement the Corporation's existing cash balance.

The above noted allocations represent the Corporation's intentions with respect to its use of proceeds based on current knowledge, planning and expectations of management of the Corporation. Actual expenditures may differ from the estimates set forth above. There may be circumstances where for sound business reasons, the Corporation reallocates the use of proceeds. See "Risk Factors".

Until applied, the net proceeds will be held as cash balances in the Corporation's bank account or invested in certificates of deposit and other instruments issued by banks or obligations of or guaranteed by the Government of Canada or any province thereof.

Business Objectives and Milestones

Minimum Offering

The following sets out the primary business objectives that the Corporation expects to accomplish using the net proceeds from the Minimum Offering and the significant events that need to occur for the business objectives to be accomplished:

Business Objective	Milestones	Estimated Costs related to Business Objective	Time Period
Open seven wholly-owned corporate Spiritleaf-branded retail cannabis stores through Spirit Leaf Corporate and establish and operate the MOU Retail Store as a Spiritleaf-branded retail cannabis store.	Complete build-out of each of the remaining three retail cannabis stores; receive final licenses for each of the seven retail cannabis stores and the MOU Retail Store; and the opening of each individual wholly-owned corporate retail cannabis stores.	\$1,120,000 ⁽¹⁾	Current – June, 2020
Open 56 additional franchise Spiritleaf-branded retail cannabis stores.	By franchisees of Spirit Leaf: The completion of build-outs, receipt of final licenses, and the opening of each individual franchise owned Spiritleaf-branded retail cannabis store. By Spirit Leaf: The design and production of Spiritleaf custom inventory and the sale of such inventory to the franchisees of Spirit Leaf.	\$900,000 ⁽²⁾	Current – June, 2020
Repay the Tilray Loan (including interest) and discharge the Tilray Promissory Note.	Completion of the Offering.	\$1,540,531 ⁽³⁾	Upon Closing of the Offering
To generate cash reserves to be used to fund future negative cash flow from operating activities, if any.	Completion of the Offering.	\$1,919,469 ⁽⁴⁾	Upon Closing of the Offering
Total:		\$5,480,000	

Notes:

- (1) This amount includes \$450,000 in capital expenditures for building-out three wholly-owned corporate Spiritleaf-branded retail

cannabis stores, \$600,000 in inventory purchases for seven wholly-owned corporate Spiritleaf-branded retail cannabis stores and the MOU Retail Store, and \$70,000 in Spiritleaf custom inventory that will be sold through wholly-owned corporate Spiritleaf-branded retail cannabis stores. See "Use of Proceeds".

- (2) This amount includes \$400,000 in Spiritleaf custom inventory to be sold to franchisees of Spirit Leaf and \$500,000 in expenses for acquiring various lease properties through deposits to secure real-estate to support the Corporation's planned franchise expansion in Ontario, subject to compliance with the regulatory and legislative framework, and for the payment of lease costs under such leases until the Temporary Cap is lifted, if at all, or up to February 2019. See "Use of Proceeds".
- (3) The Corporation intends to repay the Tilray Loan (including interest) concurrently with the closing of the Offering. See "Use of Proceeds".
- (4) To the extent that the Corporation has negative cash flow in any future period, the Corporation will use this amount and its current cash balance of approximately \$1,348,943 to fund such negative cash flow from operating activities. See "Use of Proceeds – Negative Operating Cash Flow".

Maximum Offering

The following sets out the primary business objectives that the Corporation expects to accomplish using the net proceeds from the Maximum Offering and the significant events that need to occur for the business objectives to be accomplished:

Business Objective	Milestones	Estimated Costs related to Business Objective	Time Period
Open ten wholly-owned corporate Spiritleaf-branded retail cannabis stores through Spirit Leaf Corporate and establish and operate the MOU Retail Store as a Spiritleaf-branded retail cannabis store.	Complete build-out of each of the remaining six retail cannabis stores; receive final licenses for each of the ten retail cannabis stores and the MOU Retail Store; and the opening of each individual wholly-owned corporate retail cannabis stores.	\$2,275,000 ⁽¹⁾	Current – June, 2020
Open 56 additional franchise Spiritleaf-branded retail cannabis stores.	By franchisees of Spirit Leaf: The completion of build-outs, receipt of final licenses, and the opening of each individual franchise owned Spiritleaf-branded retail cannabis store. By Spirit Leaf: The design and production of Spiritleaf custom inventory and the sale of such inventory to the franchisees of Spirit Leaf.	\$900,000 ⁽²⁾	Current – June, 2020
Repay the Tilray Loan (including interest) and discharge the Tilray Promissory Note.	Completion of the Offering.	\$1,540,531 ⁽³⁾	Upon Closing of the Offering
To generate cash reserves to be used to fund future negative cash flow from operating activities, if any.	Completion of the Offering.	\$2,159,469 ⁽⁴⁾	Upon Closing of the Offering
Total:		\$6,875,000	

Notes:

- (1) This amount includes \$1,350,000 in capital expenditures for building-out six wholly-owned corporate Spiritleaf-branded retail cannabis stores, \$825,000 in inventory purchases for ten wholly-owned corporate Spiritleaf-branded retail cannabis stores and the MOU Retail Store, and \$100,000 in Spiritleaf custom inventory that will be sold through wholly-owned corporate Spiritleaf-branded retail cannabis stores. See "Use of Proceeds".
- (2) This amount includes \$400,000 in Spiritleaf custom inventory to be sold to franchisees of Spirit Leaf and \$500,000 in expenses for acquiring various lease properties through deposits to secure real-estate to support the Corporation's planned franchise expansion in Ontario, subject to compliance with the regulatory and legislative framework, and for the payment of lease costs under such leases until the Temporary Cap is lifted, if at all, or up to February 2019. See "Use of Proceeds".
- (3) The Corporation intends to repay the Tilray Loan (including interest) concurrently with the closing of the Offering. See "Use of Proceeds".

- (4) To the extent that the Corporation has negative cash flow in any future period, the Corporation will use this amount and its current cash balance of approximately \$1,348,943 to fund such negative cash flow from operating activities. See "*Use of Proceeds – Negative Operating Cash Flow*".

Tilray Second Tranche

An additional \$2,250,000 in Tilray Shares will be available to the Corporation upon closing of the Tilray Second Tranche. Any proceeds received by the Corporation from a future sale of such Tilray Shares will be used by the Corporation, to the extent necessary, as cash reserves for additional expenses, if any, which may be incurred by the Corporation if it does not achieve its stated business objectives within anticipated timelines, and/or used for such other purposes as determined by management of the Corporation. See "*Risk Factors - Risks Related to the Tilray Transaction*".

Negative Operating Cash Flow

The Corporation incurred negative cash flows from operating activities during the fiscal year ended December 31, 2018. In April 2019, the Corporation incurred negative cash flows from operating activities of approximately \$365,388. The Company expects to continue to incur negative cash flows from operating activities during the fiscal year ending December 31, 2019.

The Corporation cannot guarantee it will have a cash flow positive status from operating activities in future periods. To the extent that the Corporation has negative cash flow in any future period, the Corporation will use its current cash balance of approximately \$1,348,943.39 and the amount referred to as "Unallocated working capital" in the tables under "*Principal Purposes - Minimum Offering*" and "*Principal Purposes - Maximum Offering*" to fund such negative cash flow from operating activities. See "*Risk Factors*".

Minimum Offering

In the event that the Minimum Offering is completed and the net proceeds therefrom are used as disclosed in the table under "*Principal Purposes - Minimum Offering*", the Corporation expects to realize positive cash flows from operating activities beginning in January 2020 and continuing thereafter, based on, among other assumptions, that (a) Spirit Leaf Corporate will receive retail cannabis licenses for, and open, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in July 2019, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in September 2019, the MOU Retail Store in November 2019, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in January 2020, and two wholly-owned corporate Spiritleaf-branded retail cannabis stores in February 2020; and (b) franchisees of Spirit Leaf will receive retail cannabis licenses for, and open, one Spiritleaf-branded retail cannabis store in July 2019, one Spiritleaf-branded retail cannabis store in September 2019, two Spiritleaf-branded retail cannabis stores in November 2019, three Spiritleaf-branded retail cannabis store in December 2019, three Spiritleaf-branded retail cannabis store in February 2020, three Spiritleaf-branded retail cannabis store in March 2020, two Spiritleaf-branded retail cannabis store in May 2020, and three Spiritleaf-branded retail cannabis store in June 2020; and that such Spiritleaf-branded retail cannabis stores opened by the Corporation and franchisees of Spirit Leaf will achieve a range of between \$200,000 to \$250,000 in monthly gross sales while in operation, as per the Corporation's cash flow forecasts. The Corporation anticipates to be able to fund negative cash flows from operating activities using a portion of its current cash balance of approximately \$1,348,943.39 and the approximately \$1,919,469 of unallocated working capital from the net proceeds of the Minimum Offering until January 2020, at which time it anticipates generating positive cash flows from operating activities based on, among other assumptions, the aforementioned assumptions.

While the Temporary Suspension remains in place, Spirit Leaf Corporate and the franchisees of Spirit Leaf are not able to submit new applications for retail cannabis licenses in Alberta. Applications for retail cannabis licenses in Alberta that were in progress prior to the enactment of the Temporary Suspension continue to be processed by the AGLC during the Temporary Suspension; however, the issuance of retail cannabis licenses so applied for, remains suspended pursuant to the Temporary Suspension. Moreover, while the Temporary Cap remains in place, Spirit Leaf Corporate and the franchisees of Spirit Leaf are not able to submit applications for, or receive, retail operator licenses in Ontario. **There is no assurance that the Temporary Suspension will be lifted by the AGLC or that the Temporary Cap will be lifted by the Government of Ontario.** See "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*" and "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Cap in Ontario*".

Assuming that the Minimum Offering is completed and the proceeds therefrom are used as disclosed in the table under "*Principal Purposes - Minimum Offering*" (other than in respect of cannabis inventory and Spiritleaf custom inventory, which will not be purchased by the Corporation), in the event that the Corporation and franchisees of Spirit Leaf are not able to open any additional Spiritleaf-branded retail cannabis stores, as a result of the Temporary Suspension or the Temporary Cap or otherwise, it is estimated that the Corporation's current cash balance of approximately \$1,348,943.39, the approximately \$1,919,469 of unallocated working capital from the net proceeds of the Minimum Offering and the portion of the net proceeds of the Minimum Offering that would have otherwise been used by the Corporation to purchase cannabis inventory and Spiritleaf custom inventory, will fund negative cash flow from operating activities until the end of January 2020, as per the Corporation's cash flow forecasts, at which time the Corporation will be required to raise additional funds, which may include through the issuance of equity or debt securities.

See "*Risk Factors*".

Maximum Offering

In the event that the Maximum Offering is completed and the net proceeds therefrom are used as disclosed in the table under "*Principal Purposes - Maximum Offering*", the Corporation expects to realize positive cash flows from operating activities beginning in January 2020 and continuing thereafter, based on, among other assumptions, that (a) Spirit Leaf Corporate will receive retail cannabis licenses for, and open, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in July 2019, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in September 2019, the MOU Retail Store in November 2019, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in January 2020, two wholly-owned corporate Spiritleaf-branded retail cannabis stores in February 2020, and three wholly-owned corporate Spiritleaf-branded retail cannabis stores in March 2020; and (b) franchisees of Spirit Leaf will receive retail cannabis licenses for, and open, one Spiritleaf-branded retail cannabis store in July 2019, one Spiritleaf-branded retail cannabis store in September 2019, two Spiritleaf-branded retail cannabis stores in November 2019, three Spiritleaf-branded retail cannabis store in December 2019, three Spiritleaf-branded retail cannabis store in February 2020, three Spiritleaf-branded retail cannabis store in March 2020, two Spiritleaf-branded retail cannabis store in May 2020, and three Spiritleaf-branded retail cannabis store in June 2020; and that such Spiritleaf-branded retail cannabis stores opened by the Corporation and franchisees of Spirit Leaf will achieve a range of between \$200,000 to \$250,000 in monthly gross sales while in operation, as per the Corporation's cash flow forecasts. The Corporation anticipates to be able to fund negative cash flows from operating activities using a portion of its current cash balance of approximately \$1,348,943.39 and the approximately \$2,159,469 of unallocated working capital from the net proceeds of the Maximum Offering until January 2020, at which time it anticipates generating positive cash flows from operating activities based on, among other assumptions, the aforementioned assumptions.

While the Temporary Suspension remains in place, Spirit Leaf Corporate and the franchisees of Spirit Leaf are not able to submit new applications for retail cannabis licenses in Alberta. Applications for retail cannabis licenses in Alberta that were in progress prior to the enactment of the Temporary Suspension continue to be processed by the AGLC during the Temporary Suspension; however, the issuance of retail cannabis licenses so applied for, remains suspended pursuant to the Temporary Suspension. Moreover, while the Temporary Cap remains in place, Spirit Leaf Corporate and the franchisees of Spirit Leaf are not able to submit applications for, or receive, retail operator licenses in Ontario. **There is no assurance that the Temporary Suspension will be lifted by the AGLC or that the Temporary Cap will be lifted by the Government of Ontario.** See "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*" and "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Cap in Ontario*".

Assuming that the Maximum Offering is completed and the proceeds therefrom are used as disclosed in the table under "*Principal Purposes - Maximum Offering*" (other than in respect of cannabis inventory and Spiritleaf custom inventory, which will not be purchased by the Corporation), in the event that the Corporation and franchisees of Spirit Leaf are not able to open any additional Spiritleaf-branded retail cannabis stores, it is estimated that the Corporation's current cash balance of approximately \$1,348,943.39, the approximately \$2,159,469 of unallocated working capital from the net proceeds of the Maximum Offering and the portion of the net proceeds of the Maximum Offering that would have otherwise been used by the Corporation to purchase cannabis inventory and Spiritleaf custom inventory, will fund negative cash flow from operating activities until the end of February 2020, as per the Corporation's cash flow forecasts, which may include through the issuance of equity or debt securities.

See "*Risk Factors*".

Repayment of Indebtedness

A portion of the net proceeds from the Offering is anticipated to be used to repay the Tilray Loan, including interest thereon. The proceeds of the Tilray Loan were used to provide the Ontario Partnership Loan to the Ontario Partner in the amount of \$500,000, to fund the build-outs of the Mission Location and the Second Canmore Location, and for general working capital purposes. See "*General Development of the Business - Tilray Promissory Note*".

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement between the Corporation and the Agents, the Corporation has appointed the Agents and the Agents have agreed to offer for sale to the public on a "commercially reasonable efforts" agency basis if, as and when issued by the Corporation in accordance with the Agency Agreement, a minimum of 6,000 Debenture Units and a maximum of 7,500 Debenture Units at the Offering Price for minimum gross proceeds of \$6,000,000 (not including the Over-Allotment Option) and maximum gross proceeds of \$7,500,000 (not including the Over-Allotment Option). The Offering Price and other terms of the Offering, including the number of Unit Warrants forming part of each Debenture Unit, the Conversion Price and the Exercise Price, were determined through arm's length negotiation between the Corporation and Acumen, on behalf of the Agents, with reference to the prevailing market price of the Common Shares. The obligations of the Agents under the Agency 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", "due diligence out", "breach out", "market out" and "material adverse change out", and may also be terminated upon the occurrence of certain other stated events. The Agents are not obligated to purchase any Debenture Units under the Agency Agreement.

The Corporation has granted to the Agents the Over-Allotment Option, exercisable at any time, in whole or in part, until 30 days from and including the Closing Date for the purpose of covering over-allotments, if any, and for market stabilization purposes. If the Minimum Offering is completed and if the Over-Allotment Option is exercised in full, and assuming 3,750 Debenture Units are sold to the President's List Purchasers, the total gross proceeds from the Offering will be \$8,500,000, the Agents' Fee will be \$445,000, and the net proceeds to the Corporation (before deduction of the estimated expenses of \$250,000 related to the Offering) will be \$8,055,000. If the Maximum Offering is completed and if the Over-Allotment Option is exercised in full, and assuming 3,750 Debenture Units are sold to the President's List Purchasers, the total gross proceeds from the Offering will be \$10,000,000, the Agents' Fee will be \$550,000, and the net proceeds to the Corporation (before deduction of the estimated expenses of \$250,000 related to the Offering) will be \$9,450,000. The Agents' Fee and estimated expenses will be paid from the gross proceeds of the Offering at Closing.

In consideration for the services provided by the Agents in connection with the Offering, and pursuant to the terms of the Agency Agreement, the Corporation has agreed to pay the Agents the Agents' Fee equal to 7% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option), other than on the gross proceeds from the sale of up to 3,750 Debenture Units expected to be purchased by the President's List Purchasers, on which the Agents' Fee shall be 3% on such gross proceeds.

The Agents will also receive Compensation Options to purchase that number of Compensation Shares that is equal to (i) 7% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to purchasers other than the President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option); plus (ii) 3% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to the President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option). Each Compensation Option will entitle the holder thereof to acquire one Compensation Share at an exercise price of \$0.25 per Compensation Share for a period of eighteen (18) months following the Closing Date, subject to adjustment in certain customary events.

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

This Prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Over-Allotment Debenture Units issuable pursuant to the exercise of the Over-Allotment Option. This Prospectus also qualifies the distribution of the Compensation Options issued in connection with the Offering and the distribution of the Compensation Shares issuable pursuant to the exercise of the Compensation Options.

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

In connection with the Offering and subject to applicable laws, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Convertible Debentures at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be

discontinued at any time. The Agents may carry out these transactions on the CSE, in the over-the-counter market or otherwise.

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

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

Subscriptions for Debenture Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without prior notice. The completion of the sale of securities pursuant to the Offering will take place on such day or days as the Agents and the Corporation may mutually agree upon. It is expected that the Closing Date will occur on or about May 24, 2019 or such other date or dates as may be agreed upon by the Corporation and the Agents. Pending Closing, all subscription funds will be deposited and held by the Agents in trust pursuant to the terms and conditions of the Agency Agreement. If the Minimum Offering is not completed within ninety (90) days of the issuance of a receipt for this Prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agents, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction.

The CSE has conditionally approved the listing of the Convertible Debentures and the Unit Warrants. Listing of the Convertible Debentures and the Unit Warrants is subject to the Corporation fulfilling all of the requirements of the CSE, including meeting all minimum listing requirements. The Corporation has also given notice to the CSE to list the Debenture Shares, the Warrant Shares and the Compensation Shares, on the CSE. Listing of the Debenture Shares, the Warrant Shares and the Compensation Shares will be subject to the Corporation fulfilling all the listing requirements of the CSE.

The Corporation has agreed with the Agents that, for a period ending one hundred and twenty (120) days from the Closing Date, the Corporation shall not directly or indirectly, without the prior written consent of Acumen, which consent shall not be unreasonably withheld, issue or announce any intention to issue any Common Shares or financial instruments convertible or exercisable into Common Shares, other than: (i) pursuant to the Offering (including the Over-Allotment Option); (ii) pursuant to the grant or exercise of stock options and other similar issuances pursuant to any stock option plan or similar share compensation arrangements; (iii) the issuance of Common Shares upon the exercise of convertible securities, warrants, options or obligations outstanding prior to May 1, 2019; (iv) pursuant to previously announced transactions and/or issuances of securities of the Corporation; or (v) in connection with any arm's length property acquisition transaction or other corporate acquisition by the Corporation.

None of the Debenture Units, Convertible Debentures, Debenture Shares, Unit Warrants or Warrant Shares have been or will be registered under the 1933 Act or any applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or U.S. Persons except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. Accordingly, except as permitted in the Agency Agreement and as expressly permitted by applicable laws of the United States, the Agents will not offer or sell the Debenture Units to, or for the account or benefit of, persons in the United States or U.S. Persons. The Agency Agreement permits the Agents, through their United States registered broker-dealer affiliates, to offer the Debenture Units to, or for the account or benefit of, persons in the United States and U.S. Persons to whom the Corporation will sell such securities directly where such persons are (i) "accredited investors", as such term is defined in Rule 501(a) of Regulation D under the 1933 Act ("**U.S. Accredited Investors**"), or (ii) "qualified institutional buyers," as defined in Rule 144A under the 1933 Act who are also U.S. Accredited Investors ("**Qualified Institutional Buyers**"), in compliance with Rule 506(b) of Regulation D under the 1933 Act and/or pursuant to the exemption afforded by Section 4(a)(2) of the 1933 Act and in compliance with applicable state securities laws.

The Convertible Debentures, the Unit Warrants, the Debenture Shares, and the Warrant Shares 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) of the 1933 Act. Any certificates representing such securities will bear a legend to the effect that the securities represented thereby are not registered under the 1933 Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred other than pursuant to certain exemptions from the registration requirements of the 1933 Act and any applicable state securities laws.

The Convertible Debentures will not be convertible, and the Unit Warrants will not be exercisable, by or on behalf of, a person in the United States or a U.S. Person, nor will any certificates representing the Debenture Shares or the Warrant Shares, as applicable, be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the 1933 Act and any applicable state securities laws is available and the Corporation has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Corporation; provided, however, that a holder who is a U.S. Accredited Investor or Qualified Institutional Buyer at the time of conversion of the Convertible Debentures or exercise of the Unit Warrants, as applicable, who purchased Debenture Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel in connection with the conversion of Convertible Debentures or exercise of Unit Warrants, as applicable, that are a part of those Debenture Units.

This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Debentures Units, the Convertible Debentures or the Unit Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of such securities to, or for the account or benefit of, persons in the United States or U.S. Persons by a dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act, unless such offer or sale is made pursuant to an exemption from registration under the 1933 Act.

Terms used and not defined in the four preceding paragraphs shall have the meanings ascribed thereto by Regulation S under the 1933 Act.

Depository Services

It is anticipated that the Debenture Units will be delivered under the book-based system through CDS or its nominee and deposited in electronic form. Except in certain limited circumstances, including where a

certificate representing the Convertible Debentures and Unit Warrants requires the addition of a legend under applicable securities laws in the United States, no certificates evidencing the Convertible Debentures and Unit Warrants will be issued to purchasers of the Debenture Units. Purchasers of Debenture Units will receive only a customer confirmation from the Agents or other registered dealer who is a CDS Participant and from or through whom a beneficial interest in the Debenture Units is acquired. CDS is responsible for establishing and maintaining book entry accounts for its CDS Participants having interest in the Convertible Debentures and Unit Warrants.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

Acquisition of Debenture Units

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

For its purposes, the Corporation intends to allocate \$822 to each Convertible Debenture and \$178 to the Unit Warrants. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder.

Exercise or Expiry of Unit Warrants

No gain or loss will be realized by a Holder upon the exercise of a Unit Warrant to acquire a Warrant Share. When a Unit 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 Unit 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 Unit Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Unit Warrant to the Holder immediately before its expiry. See the discussion below under the heading "*Certain Canadian Federal Income Tax Considerations - Resident Holders - Capital Gains and Capital Losses*".

Resident Holders

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

Interest on Convertible Debentures

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

Any other Resident Holder, including an individual (other than a unit trust or trust of which a corporation or partnership is a beneficiary) will be required to include in computing income for a taxation year all interest on the Convertible Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), including on a conversion, redemption or repayment at maturity, except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Convertible Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Convertible Debenture up to the end

of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Resident Holder's income for that year or a preceding year.

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

A Resident Holder that throughout the year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional tax of 10 $\frac{2}{3}$ %, a portion of which may be refundable, on "aggregate investment income" (as defined in the Tax Act), which includes interest income.

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

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

Conversion of Convertible Debentures

Generally, a Resident Holder who converts a Convertible Debenture into Debenture Shares pursuant to the conversion privilege under the terms of the Convertible Debenture (including pursuant to a mandatory conversion) will be deemed not to have disposed of the Convertible Debenture and, accordingly, will not recognize a capital gain (or capital loss) upon such conversion.

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

The aggregate cost to a Resident Holder of the Debenture Shares acquired on the conversion of a Convertible Debenture into Debenture Shares will generally be equal to the aggregate of the Resident Holder's adjusted cost base of the Convertible Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of Debenture Shares at any time will be determined by averaging

the cost of such Debenture Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

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

Disposition of Convertible Debentures

On a disposition or deemed disposition of a Convertible Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Convertible Debenture into Debenture Shares pursuant to the Resident Holder's right of conversion described above, a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest that has accrued on the Convertible Debenture to that time, except to the extent that such interest has otherwise been included in the Resident Holder's income for the year or a preceding taxation year.

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

Disposition of Unit Warrants, Warrant Shares, Debenture Shares and Common Shares

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

Dividends on Common Shares

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

Dividends received or deemed to be received by a corporation that is a Resident Holder on the Common Shares (including the Debenture Shares and the Warrant Shares) must be included in computing its income but generally will be deductible in computing its taxable income, subject to special rules under the

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

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

Capital Gains and Capital Losses

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

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

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

Minimum Tax

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

Non-Resident Holders

The following discussion applies to Holders who, at all relevant times, for purposes of the Tax Act, (i) are neither resident or deemed to be resident in Canada; (ii) do not, and are not deemed to, use or hold the Securities in, or in the course of carrying, a business carried on in Canada; (iii) are entitled to receive all payments (including principal and interest) made on a Convertible Debenture; (iv) deal at arm's length with any person or partnership who is a resident or deemed to be a resident in Canada to whom the Holder assigns or otherwise transfers a Convertible Debenture; (v) are not a person who carries on an insurance business in Canada or elsewhere; and (vi) are neither a "specified shareholder" (as defined in subsection

18(5) of the Tax Act) of the Corporation nor any person who does not deal at arm's length with a specified shareholder of the Corporation (a "**Non-Resident Holder**").

Interest on Convertible Debentures

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

Conversion of Convertible Debentures

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

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

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

If, on a conversion of a Convertible Debenture under its terms, a Non-Resident Holder receives consideration wholly or in part in the form of cash, the Non-Resident Holder will be considered to have disposed of the Convertible Debentures for the purposes of the Tax Act. See "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Disposition of Securities*".

Disposition of Securities

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

Provided the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Security generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of

the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, the Security may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

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

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

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

Dividends on Common Shares

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

EARNINGS COVERAGE RATIOS

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

The Corporation's interest requirements amounted to \$4,990 for the year ended December 31, 2018. The Corporation's losses before interest expense and income tax expense were \$11,683,337 for the year ended December 31, 2018.

The Corporation's pro forma interest requirements, after giving effect to the issue of the Convertible Debentures pursuant to the Minimum Offering (excluding any exercise, in whole or in part, of the Over-Allotment Option) would have been \$724,990 for the year ended December 31, 2018. Accordingly, after giving effect to the Minimum Offering (excluding any exercise, in whole or in part, of the Over-Allotment Option), the Corporation would have had a deficient earnings coverage ratio of approximately 16 for the fiscal year ended December 31, 2018. The Corporation would have required additional earnings before interest expense and income tax of approximately \$12,408,327 for the year ended December 31, 2018 to achieve a coverage ratio of one to one.

The Corporation's pro forma interest requirements, after giving effect to the issue of the Convertible Debentures pursuant to the Maximum Offering (excluding any exercise, in whole or in part, of the Over-Allotment Option) would have been \$904,990 for the year ended December 31, 2018. Accordingly, after giving effect to the Maximum Offering (excluding any exercise, in whole or in part, of the Over-Allotment Option), the Corporation would have had a deficient earnings coverage ratio of approximately 13 for the fiscal year ended December 31, 2018. The Corporation would have required additional earnings before interest expense and income tax of approximately \$12,593,317 for the year ended December 31, 2018 to achieve a coverage ratio of one to one.

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

ELIGIBILITY FOR INVESTMENT

In the opinion of Burstall LLP, counsel to the Corporation, and Torys LLP, counsel to the Agents, based on the current provisions of the Tax Act as of the date hereof, the Convertible Debentures, the Unit Warrants, the Warrant Shares and the Debenture Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act (collectively "**Registered Plans**") and trusts governed by deferred profit sharing plans, provided that:

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

Notwithstanding the foregoing, holders, annuitants or subscribers of Registered Plans (each a "**Controlling Individual**") will be subject to a penalty tax in respect of the Convertible Debentures, the Unit Warrants, the Warrant Shares and the Debenture Shares held in a trust governed by a Registered Plan if such Convertible Debentures, Unit Warrants, Warrant Shares or Debenture Shares, as the case may be, are a "prohibited investment" under the Tax Act for the particular Registered Plan. Convertible Debentures, Unit Warrants, Warrant Shares or Debenture Shares will generally not be a "prohibited investment" for a Registered Plan unless the Controlling Individual of the Registered Plan (i) does not

deal at arm's length with the Corporation for purposes of the Tax Act; or (ii) has a "significant interest", as defined in the Tax Act, in the Corporation. However, Warrant Shares and Debenture Shares will not be a "prohibited investment" if such securities are "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for trusts governed by a Registered Plan.

The Corporation will endeavour to ensure that, following the issuance of the Convertible Debentures and the Unit Warrants, the Convertible Debentures, the Unit Warrants and the Common Shares continue to be qualified investments under the Tax Act for trusts governed by Registered Plans (except, in the case of the Convertible Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), however there can be no assurance that the conditions prescribed for the Convertible Debentures, the Unit Warrants and the Common Shares to continue to be qualified investments will be adhered to at any particular time. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

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

RISK FACTORS

An investment in the Debenture Units is subject to certain risks. A prospective investor should consider carefully the risk factors described herein, as well as under "Risk Factors" in the IPO Prospectus, which is incorporated into and forms part of this Prospectus. Investors should consider carefully whether an investment in the Debenture Units is suitable for them in light of the information set forth in this Prospectus and in the documents incorporated by reference herein. Such information does not purport to be exhaustive. If any of the identified risks were to materialize, the Corporation's business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to the Corporation, or which the Corporation currently deems immaterial, may also have an adverse effect upon the Corporation. Investors should carefully review and consider all other information contained in this Prospectus and in the documents incorporated by reference herein before making an investment decision and consult their own professional advisors where necessary.

Temporary Suspension in Alberta

While the Temporary Suspension remains in place, neither Spirit Leaf Corporate nor Spirit Leaf Macleod nor the franchisees of Spirit Leaf are able to submit applications for, or in the case of retail cannabis license applications that were in progress prior to the enactment of the Temporary Suspension, receive final approval for, retail cannabis licenses to operate retail cannabis stores in the Province of Alberta. As at the date hereof, the AGLC has not yet indicated when it anticipates lifting the Temporary Suspension, if at all. See "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*".

There is no assurance that the Temporary Suspension will be lifted by the AGLC, or, if the Temporary Suspension is lifted by the AGLC, that all, or any, of Spirit Leaf Corporate, Spirit Leaf Macleod and the franchisees of Spirit Leaf will be able to obtain retail cannabis licenses from the AGLC, which would have a material adverse effect on the Corporation.

Ontario Prohibition

Under the Ontario Regulations, a corporation is not eligible to be issued a retail operator license if more than 9.9% of the corporation is owned or controlled, directly or indirectly, by one or more Licensed Producers or their affiliates. As at the date hereof, more than 9.9% of the issued and outstanding Common Shares are owned and controlled, directly or indirectly, by one or more Licensed Producers or their affiliates. **Consequently, the Corporation and its subsidiaries, including Spirit Leaf Corporate, are currently prohibited from obtaining retail operator licenses in the Province of Ontario under the Ontario Regulations.**

There is no assurance that the Corporation's intended retail and franchising strategy in Ontario complies with or is permitted under the Ontario Regulations and the inability for the Corporation to execute on its intended objectives to establish a retail presence in Ontario could have a material adverse effect on the Corporation's business, operations and financial condition.

See also "*Provincial Regulatory Framework for Recreational Cannabis – Ontario Regulatory Framework*".

Temporary Cap in Ontario

While the Temporary Cap remains in place, franchisees of Spirit Leaf are not able to submit applications for retail operator licenses in the Province of Ontario, **There is no assurance that the Temporary Cap will be lifted by the Government of Ontario, or, if the Temporary Cap is lifted by the Government of Ontario, that all, or any, of the franchisees of Spirit Leaf will be able to obtain retail operator licenses from the AGCO, which would have a material adverse effect on the Corporation.**

See also "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Cap in Ontario*".

Uncertain Regulatory Framework

On October 17, 2018, the Cannabis Act came into force as law with the effect of legalizing adult recreational use of cannabis across Canada. No legal market previously existed for adult recreational use cannabis in Canada. For this reason, projections for both short and long-term market conditions for the retail of cannabis remain uncertain.

There is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will allow, or be conducive to, the Corporation's proposed cannabis franchise and retail business model. The legislative framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories and could result in an asymmetric regulatory and market environment, different competitive pressures and significant additional compliance and other costs and/or limitations on the Corporation's ability to participate in such market. Additionally, differences in provincial and territorial regulatory frameworks could result in the Corporation's franchise model being financially prohibitive or unfeasible. In particular, some provinces do not allow private retailers of cannabis products, and in provinces that allow private retailers of cannabis products, the number of provincial licenses available to any one retailer for such sales of cannabis may be limited or obtaining a provincial license may be unduly expensive or burdensome. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the Corporation's proposed cannabis franchise and retail model. Municipal by-laws could prohibit entirely or restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be operated. There is no assurance

that if and when provincial, territorial, regional and municipal regulatory frameworks are enacted, the Corporation will be able to navigate such regulatory frameworks or conduct its intended business thereunder. While the impact of any new legislative framework for the regulation of the Canadian recreational cannabis market is uncertain, any of the foregoing could result in a material adverse effect on the Corporation's proposed business, financial condition and operating results. See also "*Provincial Regulatory Framework for Recreational Cannabis – Ontario Regulatory Framework*", "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Suspension in Alberta*" and "*Provincial Regulatory Framework for Recreational Cannabis – Temporary Cap in Ontario*".

There is no assurance that all, or any, of the Spiritleaf-branded franchise retail cannabis stores that franchisees of Spirit Leaf intend to open in Canadian provinces, the wholly-owned corporate Spiritleaf-branded retail cannabis stores that the Corporation intends to open through Spirit Leaf Corporate, or the MOU Retail Store that the Corporation intends to open through Spirit Leaf Macleod, will be permitted to open.

Completion of the Offering

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

Listing of Securities on the CSE

The CSE has conditionally approved the listing of the Convertible Debentures and the Unit Warrants. Listing of the Convertible Debentures and the Unit Warrants is subject to the Corporation fulfilling all of the requirements of the CSE, including meeting all minimum listing requirements. The Corporation has also given notice to the CSE to list the Debenture Shares, the Warrant Shares and the Compensation Shares, on the CSE. Listing of the Debenture Shares, the Warrant Shares and the Compensation Shares will be subject to the Corporation fulfilling all the listing requirements of the CSE.

Even though the Corporation has received conditional approval to list the Convertible Debentures and the Unit Warrants on the CSE, and the Corporation will use its commercially reasonable best efforts to obtain such listing, there can be no assurance that it will meet the listing requirements or that such listing application will receive final approval by the CSE.

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

Use of Net Proceeds

The Corporation intends to use the net proceeds of the Offering as set out under "*Use of Proceeds*" in this Prospectus. However, these allocations are based on the current expectations of management of the Corporation and there may be circumstances where, for business reasons, a reallocation of funds may be necessary as may be determined at the discretion of the Corporation. There can be no assurance as of the date of this Prospectus as to how those funds may be reallocated. The results and the effectiveness of the

application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Corporation's results of operations may suffer.

Additional Financing

The continued development of the Corporation will require additional financing. There is no guarantee that the Corporation will be able to achieve its business objectives. The Corporation may fund its business objectives by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Corporation. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Corporation may require additional financing to fund its operations until positive cash flow is achieved. See "*Risk Factors – Negative Cash Flow from Operations*".

Volatile Market Price of the Common Shares

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by government and regulatory authorities, the Corporation or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

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

Negative Cash Flow from Operations

The Corporation had negative operating cash flow for the period ended December 31, 2018. To the extent that the Corporation has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves (including proceeds from the Offering) to fund such negative cash flow. The Corporation may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Corporation will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Corporation.

Risks Related to the Tilray Transaction

The completion of the Tilray Second Tranche is subject to a number of conditions precedent, certain of which are outside the control of the Corporation or Tilray, including obtaining required third-party approvals. There is no certainty, nor can the Corporation provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The Tilray Second Tranche is also subject to normal commercial risk that the Tilray Second Tranche may not be completed on the terms negotiated or at all. If closing of the Tilray Second Tranche does not take place as contemplated or at all, the Corporation could suffer adverse consequences, including the loss of investor confidence. The discovery or quantification of any material liabilities could have a material adverse effect on the Corporation's business, financial condition or future prospects.

See "*General Development of the Business – The Tilray Transaction*".

Ability to Satisfy Interest and Principal Payments

There is no guarantee that the Corporation will have sufficient cash available to make interest and principal payments on the Convertible Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Convertible Debentures will be dependent upon the financial health and creditworthiness of the Corporation and the ability of the Corporation to earn revenues.

Intellectual Property

The ability of the Corporation to develop positive operating results will depend on its ability to maintain "brand identity" through the use of intellectual property owned or licensed by the Corporation. If the Corporation fails to enforce or maintain any of its intellectual property rights, or the Corporation fails to enforce its rights under franchise agreements with its franchisees, the Corporation may be unable to capitalize on its efforts to establish and maintain brand identity. Improper use of such trademarks and other intellectual property rights in Canada in a manner that diminishes the value of such trademarks and other intellectual property rights could affect the value of the intellectual property and the operating results of the Corporation could decline. All registered trademarks in Canada can be challenged pursuant to provisions of the Trade-marks Act (Canada). If any intellectual property rights are ever successfully challenged, this may have an adverse impact on operating results of the Corporation.

Competition

There is potential that the Corporation will face intense competition from numerous independent dispensaries and other franchise dispensary companies, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. Because of the early stage of the recreational marijuana market in which the Corporation operates, the Corporation expects to face additional competition from new entrants. 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 proposed business, financial condition and operating results of the Corporation.

Moreover, as recreational cannabis has been legalized in Canada, it is anticipated that the Corporation will face intense competition from existing producers and retailers of medical cannabis, some of which

have been operating for several years to date. Such producers and retailers possess established cannabis supply sources, supply chain frameworks, retail outlets and consumer bases. Additionally, existing producers and retailers of medical cannabis have greater experience in complying with federal, provincial and municipal regulatory frameworks.

Product Liability

Due to the operations of the Corporation, a 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 cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis 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 products produced or distributed (but not produced) by the Corporation 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 the proposed business, financial condition and operating results 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 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 labeling disclosure. If any of the products produced by the Corporation 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 attention of the management of the Corporation. 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 products produced or distributed by the Corporation 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 products produced by the Corporation 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 proposed operations of the Corporation by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Difficulty to Forecast

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the recreational cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological

change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Convertible Debentures. Assuming all other factors remain unchanged, the market value of the Convertible Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Change of Control

Debentureholders have the right to require the Corporation to repurchase all outstanding Convertible Debentures upon the occurrence of a Change of Control. However, it is possible that, following a Change of Control, the Corporation will not have sufficient funds at that time to make the required purchase of outstanding Convertible Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Credit Risk and Earnings Coverage

The Convertible Debentures mature on June 30, 2022. The likelihood that purchasers of the Convertible Debentures will receive payments owing to them under the terms of the Convertible Debentures will depend on the financial health and creditworthiness of the Corporation and the ability of the Corporation to generate revenues or raise additional funds. See "*Earnings Coverage Ratios*", which is relevant to the assessment of the risk that the Corporation may be unable to pay interest or principal on the Convertible Debentures when due. There is no guarantee that the Corporation will be able to pay interest when due or repay the outstanding principal amount of the Convertible Debentures upon maturity.

Conversion following Certain Transactions

In the case of certain transactions, each Convertible Debenture will become convertible into securities, cash or property receivable by a holder of Common Shares in the kind and amount of securities, cash or property into which the Convertible Debenture was convertible immediately prior to the transaction. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Convertible Debentures in the future.

Dilution

The Corporation may determine to redeem outstanding Convertible Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Convertible Debentures with funds raised by issuing and selling additional Common Shares, pursuant to the terms of the Debenture Indenture. The issuance of additional Common Shares may have a dilutive effect on the Corporation's shareholders and an adverse impact on the price of Common Shares.

Shareholder Rights

Debentureholders and Warrantholders will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that the Board designates as payable to the Debentureholders or Warrantholders), but if such a holder subsequently: (a) exercises its Unit Warrants; or (b) converts its Convertible Debentures, into Common Shares, such holder will be

subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Corporation delivers Common Shares upon (a) the exercising of a Unit Warrant; or (b) the conversion of a Convertible Debenture and, to a limited extent, under the conversion rate adjustments under the Warrant Indenture and the Debenture Indenture.

Withholding and Change in Tax Laws

The Debenture Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to Debentureholders in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts on the Convertible Debentures. At present, the Corporation does not intend to withhold amounts from such payments to Debentureholders that, for purposes of the Tax Act, are at the time of payment either (i) resident in Canada, or (ii) not resident in Canada and (A) deal at arm's length with the Corporation, and (B) are not deemed to receive such payments as dividends, but no assurance can be given that the Tax Act and other applicable income tax laws will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts. See "*Certain Canadian Federal Income Tax Considerations*".

Withholding and Participating Debt Interest

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

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion or exchange of the obligation, and a redemption or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "**Excess**").

The deeming rule does not apply in respect of certain "excluded obligations" (as defined in the Tax Act), although it is not clear whether a particular Convertible Debenture would qualify as an excluded obligation. If a Convertible Debenture is not an excluded obligation, the issues that arise are whether any such Excess which is deemed to be interest is participating debt interest, and if the Excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that it would not consider the Excess to be participating debt interest, provided that the Convertible Debenture in question satisfied the requirements of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants dated May 10, 2010), and therefore there would be no withholding tax in such circumstances (provided generally that the payor and payee deal at arm's length for purposes of the Tax Act). The Corporation believes that the Convertible Debentures should generally meet the criteria set forth in the CRA's statement. However, the application of CRA's published guidance to the Convertible Debentures is uncertain and there is a risk that CRA could take the position that amounts paid or payable to a Non-Canadian Holder of Convertible Debentures on account of interest

or any Excess may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty).

Investment Eligibility

The Corporation will endeavour to ensure that, following the issuance of the Convertible Debentures and the Unit Warrants, the Convertible Debentures, the Unit Warrants and the Common Shares continue to be qualified investments under the Tax Act for trusts governed by Registered Plans (except, in the case of the Convertible Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), however there can be no assurance that the conditions prescribed for the Convertible Debentures, the Unit Warrants and the Common Shares to continue to be qualified investments will be adhered to at any particular time. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

Additional Information

Additional information on the risks, assumptions and uncertainties described above are found in this Prospectus under the heading "*Note Regarding Forward-Looking Statements*".

INTEREST OF EXPERTS

Certain legal matters in connection with the Offering will be passed upon on behalf of the Corporation by Burstall LLP and on behalf of the Agents by Torys LLP. As of the date hereof, the partners and associates of Burstall LLP, as a group, owned, directly or indirectly, less than 1% of the outstanding Common Shares. As of the date hereof, the partners and associates of Torys LLP, as a group, owned, directly or indirectly, less than 1% of the outstanding Common Shares.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are MNP LLP, Chartered Professional Accountants, of Calgary, Alberta. MNP LLP has advised the Corporation that they are independent of the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and application legislation or regulations.

Computershare acts as the transfer agent and registrar for the Common Shares at its office in Calgary, Alberta. Computershare, at its principal office in Calgary, Alberta, is also the warrant agent in respect of the IPO Warrants, and is anticipated to be the warrant agent under the Warrant Indenture and the debenture trustee under the Debenture Indenture.

PROMOTERS

Darren Bondar, the Chief Executive Officer, President and director of the Corporation, Craig Steinberg, a director of the Corporation and Christopher Gulka, the Chief Financial Officer and director of the Corporation, may be considered promoters of the Corporation by reason of their initiative in founding and organizing the business of the Corporation. The following table sets forth the type and number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by the promoters of the Corporation as at the date hereof:

Name	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directed or Indirectly	Number of Securities and Percentage of Class
Darren Bondar	15,336,000 ⁽¹⁾	7.93% ⁽²⁾
Craig Steinberg	1,077,500	0.56% ⁽²⁾
Christopher Gulka	592,000	0.31% ⁽²⁾

Notes:

- (1) Includes 1,650,000 Common Shares owned by Mr. Bondar's spouse, Marnie Bondar.
(2) Based on 193,469,996 Common Shares issued and outstanding as at the date hereof.

Cease Trade Orders

To the Corporation's knowledge and other than as disclosed herein, no existing or proposed director or executive officer of the Corporation is, as at the date of this Prospectus, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Corporation, that:

- a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity of a director, the chief executive officer or the chief financial officer thereof; or
- b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, the chief executive officer or the chief financial officer thereof and which resulted from an event that occurred while that person was acting in such capacity.

On March 31, 2004, Christopher Gulka, the Chief Financial Officer and director of the Corporation, became a director and took on the role of Chief Financial Officer of Leader Mining International Inc. ("**Leader Mining**"), in order to restructure the corporation and address certain regulatory issues including the removal of existing cease trade orders. Prior to his appointment, on March 2, 2004 a cease trade order was issued by the Alberta Securities Commission for failure to file financial statements and withdrawal of the corporation's March 31, 2003 audited financial statements due to a material misstatement. Subsequent to his appointment, on May 12, 2004 the British Columbia Securities Commission issued a cease trade order for failure to file financial statements. The cease trade orders against Leader Mining are still in force. Mr. Gulka resigned as director and Chief Financial Officer of the corporation on October 31, 2009.

Bankruptcies

To the Corporation's knowledge and other than as disclosed herein, no existing or proposed director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- a) is, as at the date of this Prospectus, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Corporation, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that

capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Darren Bondar, the President, Chief Executive Officer and a director of the Corporation, was a director and Chief Executive Officer of Comfortable Image Inc. and of Watch It! Incorporated as of May 15, 2017 when Comfortable Image Inc. and Watch It! Incorporated filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada). On June 6, 2017, Watch It! entered into an agreement with each of Comfortable Image Inc. and Watch It! Incorporated to acquire certain assets from such entities, which agreement was approved by a court order issued by the Court of Queen's Bench (Alberta) on June 30, 2017. The acquisition by Watch It! of certain assets of Comfortable Image Inc. and Watch It! Incorporated was subsequently completed on July 14, 2017.

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 several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of Convertible Debentures or Unit Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Convertible Debentures or Unit Warrants are offered to the public under the Offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

Original purchasers of Convertible Debentures or Unit Warrants will have a contractual right of rescission against the Corporation. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion or exercise of the Convertible Debentures or Unit Warrants or, if no amount was paid upon conversion or exercise, the amount paid for the Convertible Debentures or Unit Warrants, as the case may be, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that both the conversion or exercise occurs, and the right of rescission is exercised, within 180 days of the date of the purchase of the Convertible Debentures or Unit Warrants under this Prospectus (as supplemented or amended). This contractual right of rescission will be consistent with the statutory right of rescission

described under section 203 of the *Securities Act* (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 of the *Securities Act* (Alberta) or otherwise at law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Corporation, neither the Corporation nor any of its subsidiaries is a party to any legal proceeding nor was it a party to any legal proceeding during the financial year ended December 31, 2018, nor is the Corporation aware of any contemplated legal proceeding involving the Corporation or its subsidiaries or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of the Corporation.

The Corporation is not aware of any penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2018, any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision or any settlement agreement that the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2018.

MATERIAL CONTRACTS

See the section titled "*Material Contracts*" in the IPO Prospectus.

Since July 20, 2018, the Corporation entered into the following material contracts:

- (a) Tilray Investment Agreement; and
- (b) Tilray Collaboration Agreement.

EXEMPTIONS

Section 2.2(d) of NI 44-101 requires that the Corporation have a "current AIF" (as defined in NI 44-101), in at least one jurisdiction in which the Corporation is a reporting issuer in order to qualify to file a Prospectus under NI 44-101 (the "**AIF Requirement**"). The Corporation is relying on the exemption provided in Subsection 2.7(1.1) of NI 44-101 to be relieved from the AIF Requirement. Subsection 2.7(1.1) of NI 44-101 provides that an issuer that has filed annual financial statements as required under the applicable CD rule (as defined in NI 44-101) and has filed and obtained a receipt for a final prospectus that included the issuer's or each predecessor entity's comparative annual financial statements for its most recently completed financial year or the financial year immediately preceding its most recently completed financial year (together with the auditor's report accompanying those financial statements), is exempt from the AIF Requirement. On July 20, 2018, the Corporation filed and received a receipt for the IPO Prospectus, and on April 30, 2019, the Corporation filed the Annual Financial Statements.

CERTIFICATE OF THE CORPORATION

Dated: May 17, 2019

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

(Signed) Darren Bondar
President, Chief Executive Officer and Director

(Signed) Christopher Gulka
Chief Financial Officer and Director

On behalf of the Board of Directors:

(Signed) Jeffrey Tung
Director

(Signed) Craig Steinberg
Director

CERTIFICATE OF THE PROMOTERS

Dated: May 17, 2019

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

(Signed) Darren Bondar
President, Chief Executive Officer and Director

(Signed) Christopher Gulka
Chief Financial Officer and Director

(Signed) Craig Steinberg
Director

CERTIFICATE OF THE AGENTS

Dated: May 17, 2019

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

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

By: (Signed) Kelly Hughes
Managing Director, Investment Banking

CANACCORD GENUITY CORP.

By: (Signed) Steve Winokur
Managing Director, Investment Banking