

**FORM 2A**

**LISTING STATEMENT**

**Hollister Biosciences Inc.**  
**(the “Issuer” or the “Company”)**

**November 20, 2019**

## NOTE TO READER

This Listing Statement contains a copy of the prospectus of Hollister Biosciences Inc. (the “**Company**”) dated November 14, 2019 (the “**Prospectus**”). Certain sections of the Canadian Securities Exchange (the “**Exchange**”) form of Listing Statement have been included following the Prospectus to provide additional disclosure on the Company required by the Exchange, as well as updating certain information contained in the Prospectus.

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## **SCHEDULE A**

**Long Form Prospectus dated November 14, 2019**

See attached.

*No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise. This Prospectus does not constitute a public offering of securities.*

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

## PROSPECTUS

Non-Offering Prospectus

November 14, 2019



HOLLISTER BIOSCIENCES INC.

(formerly 1205600 B.C. Ltd.)

### No securities are being offered pursuant to this Prospectus

This long form prospectus (the “**Prospectus**”) is being filed with the securities regulatory authorities in the Province of British Columbia to enable Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) (“**Company**”, “**we**”, “**us**”, or “**our**”) to become a reporting issuer under the applicable securities legislation in the Province of British Columbia.

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

There is currently no market through which any of the securities of the Company may be sold, and purchasers may not be able to resell such securities. This, to the extent the Company is able to successfully complete its public listing, may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation. See “*Risk Factors*” and “*Cautionary Note Regarding Forward-Looking Information*”.

Concurrently with the filing of this Prospectus, the Company will list its Common Shares on the Canadian Securities Exchange (the “**Exchange**” or the “**CSE**”). The Exchange has conditionally accepted the listing of the Common Shares. The listing of the Common Shares on the CSE (the “**Listing**”) will be subject to the Company fulfilling all of the listing requirements of the Exchange, which cannot be guaranteed.

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

Hollister Biosciences will, through its subsidiary, operate as a licensed manufacturer and distributor of recreational cannabis and cannabis products in the state of California. An investment in the securities of the Company is speculative and involves a significant degree of risk due to various factors including the nature of the business of the Company and its stage of development. Investors should carefully consider the risk factors described in this Prospectus. See

*“Risk Factors”*. An investment in the Company’s securities should only be undertaken by those persons who can afford the total loss of their investment.

Prospective investors should rely only on the information contained in this Prospectus. Readers should assume that the information appearing in this Prospectus is accurate only as of its date, regardless of its time of delivery. The Company’s business, financial condition, results of operations and prospects may have changed since that date.

No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

**Hollister Biosciences Inc.  
1802 Shelton Drive,  
Hollister, California 95023**

**Phone: (855) 215-7873**

**This Prospectus describes the securities of an entity that is expected to derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. The Company, or a United States (“U.S.”) subsidiary of the Company, intends to directly participate in the recreational cannabis industry in the State of California where local state laws permit such activities.**

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

**On January 4, 2018, then-Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys that rescinded previous guidance from the U.S. Department of Justice (the “DOJ”) specific to cannabis enforcement in the United States, including the Cole Memo (as defined herein). With the Cole Memo rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the DOJ policy was to aggressively pursue financiers or equity owners of cannabis-related businesses, and U.S. district attorneys followed such DOJ policies through pursuing prosecutions, then (i) the Company could face seizure of its cash and other assets used to support or derived from its cannabis operations, and (ii) the Company’s employees, directors, officers, managers and investors could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life.**

**As a result of the conflicting views between U.S. state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of**



any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of the Company in the U.S. As such, there are a number of risks associated with the Company's intended business and investments in the U.S.

For the reasons set forth above, the Company's intended interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of risks associated with the business of the Company. See further descriptions of these risks under the heading "*Risk Factors*".

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## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that relate to the Company's current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled "*Prospectus Summary*", "*Description of the Business*", "*Selected Financial Information and Management's Discussion and Analysis*" and "*Risk Factors*".

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

- the Company's intention to complete the listing of the Common Shares on the CSE and all transactions related thereto;
- the Company's expectations regarding its revenue, expenses and operations;
- the Company's intention to grow its business and its operations;
- the development/expansion of the Facility (as defined herein) and the respective costs and timing associated therewith
- expectations with respect to future production costs and capacity;
- U.S. federal and state regulation of cannabis and cannabis related products, and any commentary related to the U.S. federal legalization of medical and recreational cannabis and the timing related to such legalization;
- the grant and impact of any license to conduct activities with cannabis or any amendments thereof;
- expectations with respect to the future growth of Company's anticipated medical and/or adult-use recreational cannabis products;
- expectations related to the Company's cannabis supply chain;
- the benefits, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's expected business objectives for the next twelve months;
- the Company's anticipated cash needs and its needs for additional financing;

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) that our current good relationships with our suppliers, service providers and other third parties will be maintained. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, prospective purchasers of Common Shares should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- the Company is a development stage company with little operating history, and a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- Hollister has negative cash flow for the year ended December 31, 2018;
- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to changes in cannabis laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- there is no assurance that the Company will turn a profit or generate revenues;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company is currently reliant on a single location. Adverse changes affecting the Facility, development project could materially affect the Company's plans;
- if construction of the Company's Facility is delayed or hindered, the Company may not be able to conduct research and develop its products, which could prevent it from ever becoming profitable;
- the Facility will be completed on time, or as a scheduled, and the Company will not experience any material issues in bringing these Facility on line;
- the Company will not experience significant issues in ramping up production once the Facility are complete;
- the Company is subject to changes in United States federal and state laws regulations and guidelines which could adversely affect the Company's future business and financial performance;
- the Company is subject to uncertainty regarding future United States federal and state legal and regulatory status and changes concerning cannabis.
- the Company's directors, officers, employees and its investors may face challenges entering the United States;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies;
- the Company may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company;
- the manufacturing of cannabis may involve a reliance on third party transportation and distribution which could result in supply delays, unreliability of delivery and other related risks;
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company is reliant on key inputs, such as water, utilities and bulk raw cannabis materials, and any interruption of these services could have a material adverse effect on the Company's operations and financial condition;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- there is no assurance that the Company will obtain and retain any relevant licenses and/or regulatory approvals;
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company does not anticipate the ability to immediately diversify its business;
- the Company will be reliant on information technology systems and may be subject to damaging cyberattacks;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;

- in certain circumstances, the Company's reputation could be damaged;
- the Company cannot assure you that a market will develop or exist for the Common Shares or what the market price of the Common Shares will be;
- the size of Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- The Company will be subject to additional regulatory burden resulting from its intended public listing on the CSE;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- the Company may be subject to breaches of security at the Facility, or in respect of electronic documents and data storage, and may face risks related to theft and breaches of applicable privacy laws;
- no guarantee on the use of available funds by the Company;
- the Company does not anticipate paying cash dividends;
- future sales of Common Shares by existing shareholders could reduce the market price of the Common Shares; and
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

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

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

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

## **MARKET AND INDUSTRY DATA**

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications. Hollister Biosciences believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, Hollister Biosciences has not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

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



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

## CONVENTIONS

Certain terms used herein are defined in the "*Glossary of Terms*". Unless otherwise indicated, references to \$ are to Canadian dollars and USD\$ are to U.S. dollars. All financial information with respect to Hollister Biosciences have been presented in Canadian dollars in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee.

## GLOSSARY OF TERMS

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

"\$" means Canadian dollars.

"**\$0.05 Special Warrant**" means a special warrant issued by the Company on July 8, 2019 at a price of \$0.05 per \$0.05 Special Warrant entitling the holder the right to acquire, without additional payment, one Common Share for each \$0.05 Special Warrant held. The \$0.05 Special Warrants were deemed to be converted on November 9, 2019, being the date that was four months and a day following the closing date of the \$0.05 Special Warrant.

"**\$0.07 Special Warrant**" means a special warrant issued by the Company on July 11, 2019 at a price of \$0.07 per \$0.07 Special Warrant entitling the holder the right to acquire, without additional payment, one Common Share for each \$0.07 Special Warrant held. The \$0.07 Special Warrants were deemed to be converted on November 12, 2019, being the date that was four months and a day following the closing date of the \$0.07 Special Warrant Offering.

"**\$0.05 Special Warrant Offering**" means the non-brokered private placement of 375,000 \$0.05 Special Warrants at a price of \$0.05 per Special Warrant for total gross proceeds of \$18,750.

"**\$0.07 Special Warrant Offering**" means the non-brokered private placement of 61,570,998 Special Warrants at a price of \$0.07 per Special Warrant for total gross proceeds of \$4,309,969.86.

"**Affiliate**" means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person;

A company is "controlled" by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company;

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person, or
- (c) an Affiliate of any Company controlled by that Person.

**“Applicable Securities Law”** means applicable securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders having the force of law, in force from time to time.

**“Associate”** means when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including:
  - (i) that person’s spouse or child; or
  - (ii) any relative of the person or of his spouse who has the same residence as that person; but
- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

**“Audit Committee”** means the audit committee of the Resulting Issuer.

**“Audit Committee Charter”** means the Audit Committee’s Charter, attached hereto as Schedule F.

**“BCBCA”** means the *Business Corporations Act* (British Columbia).

**“Board”** or **“Board of Directors”** means the board of directors, or comparable corporate governing structure, of Hollister Biosciences, Hollister or the Resulting Issuer, as applicable.

**“bubble hash”** means a type of hash that is made with ice and water in a specialized wash machine.

**“Business Day”** means a day other than Saturday, Sunday or a statutory holiday in British Columbia, Canada.

**“CBD”** means cannabidiol, a naturally occurring cannabinoid constituent of cannabis.

**“CEO”** means Chief Executive Officer.

**“CFO”** means Chief Financial Officer.

**“Closing Date”** has the meaning set forth under the heading *“Corporate Structure – Acquisition of Hollister”*.

**“Common Shares”** means the common shares in the capital of Hollister Biosciences or the Resulting Issuer, as applicable.

**“Company”** means Hollister Biosciences, Hollister, the Resulting Issuer or all three, as the case may be.

**“company”** means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

**“Conditional Approval”** means the approval issued by the CSE for listing of the Common Shares.

**“Consolidation”** means the consolidation of the Common Shares on a 1.5:1 basis which will be completed by the Company prior to Listing.

**“CSE”** or the **“Exchange”** means the Canadian Securities Exchange operated by the CNSX Markets Inc.

**“Escrow Agreement”** means the escrow agreement to be entered into on the date of the Final Prospectus, among the Company, the Transfer Agent and certain shareholders, pursuant to which 44,221,800 Common Shares will be held in escrow.

**“Escrow Shares”** means the 44,221,800 pre-Consolidation Common Shares that are held in escrow pursuant to the CSE Escrow Agreement.

**“Facility”** means the 37,061 square foot facility owned by Hollister and located in Hollister, California (see *“Description of the Business – Facility”*).

**“Final Prospectus”** means the (final) prospectus of Hollister Biosciences, prepared in accordance with NI 41-101.

**“Final Receipt”** means the receipt issued by the Principal Regulator, evidencing that a receipt has been, or has been deemed to be, issued for the Final Prospectus in British Columbia.

**“Finder’s Shares”** means the pre-Consolidation 1,200,000 Common Shares to be issued to an arm’s length finder upon completion of the Transaction.

**“Finder’s Warrants”** means the pre-Consolidation 4,309,969 common share purchase warrants exercisable to acquire Common Shares and issued to certain finders in connection with the \$0.07 Special Warrant Offering.

**“GAAP”** means generally accepted accounting principles in Canada.

**“HH1”** means Hollister Holistics 1, a wholly-owned subsidiary of Hollister.

**“HH2”** means Hollister Holistics 2, a wholly-owned subsidiary of Hollister.

**“Hollister”** means Weldon Manor LLC, a limited liability company incorporated under the laws of the state of California.

**“Hollister Financial Statements”** means the audited financial statements of Hollister for the period from January 13, 2017 (date of incorporation) to December 31, 2017, together with the notes thereto and the auditors’ report thereon, as applicable, the audited financials statements for the year ended December 31, 2018, together with the notes thereto and the auditors’ report thereon, as applicable, and the interim financial statements of Hollister for the six month period ended June 30, 2019, attached hereto at Schedule C.

**“Hollister MD&A”** means the management’s discussion and analysis of Hollister for the period from January 13, 2017 (date of incorporation) to December 31, 2017, the year ended December 31, 2018 and the six month period ended June 30, 2019, attached hereto at Schedule D.

**“Hollister Members”** means the holders of Hollister Membership interests.

**“Hollister Membership Interests”** means the membership interests issued and outstanding of Hollister.

**“Hollister Option Plan”** has the meaning set forth under the heading *“Options to Purchase Securities – Hollister”*.

**“Hollister Biosciences”** means Hollister Biosciences Inc. (formerly named 1205600 B.C. Ltd.), a company existing under the BCBCA.

**“Hollister Biosciences Financial Statements”** means the audited financial statements of Hollister Biosciences for the period from April 17, 2019 (date of Incorporation) to August 31, 2019, together with the notes thereto and the auditors’ report thereon, as applicable, attached hereto at Schedule A.

**“Hollister Biosciences MD&A”** means the management’s discussion and analysis of Hollister Biosciences for the period from April 17, 2019 (date of Incorporation) to August 31, 2019, attached hereto at Schedule B.

**“Hollister Subsidiaries”** means, collectively, HH1 and HH2.

**“IFRS”** means the International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee.

**“Insider”** means:

- (a) a director or senior officer of Hollister;
- (b) a director or senior officer of Hollister that is an Insider or subsidiary of Hollister,
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding voting shares of Hollister; or
- (d) Hollister itself if it holds any of its own securities.

**“Listing”** means the listing of the Common Shares for trading on the CSE.

**“MD&A”** means management discussion and analysis.

**“Named Executive Officer”** or **“NEO”** means:

- (a) the CEO, or comparable position;
- (b) the CFO, or comparable position;
- (c) each of the issuer’s three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds CAD\$150,000 per year; or
- (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year.

**“NI 41-101”** means National Instrument 41-101 – *General Prospectus Requirements*, of the Canadian Securities Administrators.

**“NI 45-102”** means National Instrument 45-102 – *Resale of Securities*, of the Canadian Securities Administrators.

**“NI 52-110”** means National Instrument 52-110 – *Audit Committees*, of the Canadian Securities Administrators.

**“Offerings”** means the \$0.05 Special Warrant Offering together with the \$0.07 Special Warrant Offering.

**“Options”** means the options issued pursuant to the Option Plan.

**“Option Plan”** means the Resulting Issuer’s stock option plan. See *“Options to Purchase Securities – Resulting Issuer”*.

**“Person”**, unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

**“Preliminary Prospectus”** means the (preliminary) prospectus of Hollister Biosciences, prepared in accordance with NI 41-101, and any amendments thereto.

**“Preliminary Receipt”** means the receipt issued by the Principal Regulator, evidencing that a receipt has been, or has been deemed to be, issued for the Preliminary Prospectus in British Columbia.

**“pre-roll”** means a joint (i.e. cannabis cigarette) that is prepared before its intended time of consumption (packaged and ready for sale through a licensed dispensary).

**“Principal Regulator”** means the British Columbia Securities Commission.

**“Promoter”** means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

**“Prospectus”** means collectively, the Preliminary Prospectus and the Final Prospectus (including any Supplemental Material thereto).

**“Pro-Forma Financial Statements”** means the unaudited pro-forma consolidated financial statements of Hollister Biosciences as at August 31, 2019, together with the notes thereto, attached hereto as Schedule E.

**“Regulation S”** means Regulation S promulgated under the U.S. Securities Act.

**“Resulting Issuer”** means Hollister Biosciences after closing the Transaction.

**“Securities Exchange Agreement”** has the meaning set forth under the heading *“Corporate Structure – Acquisition of Hollister”*.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.

**“Shareholders”** means the holders of Common Shares.

**“SOPs”** means standard operating procedures.

**“Special Warrants”** means the \$0.05 Special Warrants together with the \$0.07 Special Warrants.

**“THC”** means delta-9-tetrahydrocannabinol.

**“Transfer Agent”** means the transfer agent and registrar of the Company, anticipated to be Olympia Trust Company.

**“Transaction”** has the meaning set forth under the heading *“Corporate Structure – Acquisition of Hollister”*.

**“Transaction Shares”** has the meaning set forth under the heading *“Corporate Structure – Acquisition of Hollister”*.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of the Common Shares and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Capitalized used but not defined in this Summary of Prospectus have the meanings ascribed thereto in the Glossary of Terms.*

### Principal Business

#### ***Hollister Biosciences***

Hollister Biosciences was incorporated on April 17, 2019 under the BCBCA under the name “1205600 B.C. Ltd.” On August 29, 2019, it changed its name to “Hollister Biosciences Inc”. Hollister Biosciences’ registered office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

The Company has no active business and was incorporated for the purpose of undergoing a qualifying transaction to become a reporting issuer and to list on a Canadian stock exchange. See “*Description of the Business*”.

#### ***Hollister***

Hollister was formed as a limited liability company in the state of California on January 13, 2017 under Title 2.6 of the *California Revised Uniform Limited Liability Company Act* as “Weldon Manor LLC”. Hollister does business as “Hollister Cannabis”. Hollister’s head office is located at 1802 Shelton Drive, Hollister, California 95023 and its registered office is located at 212 – 9921 Carmel Mtn RD, San Diego, California 95023.

Through its wholly-owned subsidiaries, HH1 and HH2, Hollister manufactures and distributes cannabis products either through its distribution partner or directly to licensed cannabis companies in the state of California. See “*Description of the Business*”.

#### ***Securities Exchange Agreement***

Hollister Biosciences entered into a Securities Exchange Agreement dated July 9, 2019 with Hollister and the Hollister Members, whereby Hollister Biosciences acquired all of the issued and outstanding securities of Hollister in exchange for the issuance of 60,000,000 Hollister Biosciences shares to former Hollister Members on a pro rata basis (of which 8,580,000 were issued to Hollister Biosciences and subsequently cancelled).

Following the closing of the acquisition of Hollister by Hollister Biosciences pursuant to the terms of the Securities Exchange Agreement, Hollister became a wholly-owned subsidiary of Hollister Biosciences (the “**Resulting Issuer**”).

#### ***Resulting Issuer***

The Resulting Issuer’s head office is located at 1802 Shelton Drive, Hollister, California 95023 and its registered and records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

The principal business of the resulting issuer will be the same as that of Hollister.

#### **Management, Directors & Officers**

Carl Saling	President, CEO and Director
Geoffrey Balderson	CFO
Amasa Lacy	Vice President of Production and Director
Alexander Somjen	Director
Anthony Zelen	Director

See “*Directors and Executive Officers*”.

## No Proceeds Raised

No proceeds will be raised pursuant to this Prospectus. See “*No Proceeds Raised*”.

## Funds Available

The gross proceeds paid to the Company from the sale of the \$0.05 Special Warrants and the \$0.07 Special Warrants pursuant to the Offerings were \$4,328,719.86. As at October 31, 2019, the Resulting Issuer had working capital of approximately \$1,938,882 on a pro forma basis, giving effect to the Transaction and the Offerings.

The Resulting Issuer has used, or intends to use, the net proceeds of the Offerings and its other available funds as follows:

Item	Funds Allocated
<b>Funds Available</b>	
Working Capital of the Resulting Issuer as at October 31, 2019	\$1,938,882 <sup>(1)</sup>
<b>Total Available Funds</b>	<b>\$1,938,882</b>
<b>Principal Purposes for the Available Funds</b>	
Design of expanded manufacturing facility <sup>(2)</sup>	\$65,000
General and administrative costs for 12 months <sup>(3)</sup>	\$538,708
Investor relations	\$300,000
Expenses related to completion of the Transaction <sup>(4)</sup>	\$200,000
Travel and marketing	\$70,000
Launch “Rebel Hemp Co” website and line of products <sup>(2)</sup>	\$60,000
Recruit and implement brand ambassador team <sup>(2)</sup>	\$50,000
Increase distribution in California cannabis dispensaries <sup>(2)</sup>	\$100,000
Secure inventory <sup>(2)</sup>	\$250,000
Unallocated working capital	\$305,174
<b>Total</b>	<b>\$1,938,882</b>

### Notes:

(1) Includes the net funds received by the Company from the Offerings.

(2) See “*Business Objective and Milestones*”.

(3) General and administrative costs are broken down as follows: (i) wages and salaries (\$438,708), (ii) professional fees (\$50,000) and (iii) public company maintenance fees (\$50,000). Rent (\$1,034,666) is excluded as it is recorded as a current liability and is therefore reflected within working capital of the Resulting Issuer.

(4) Includes legal, accounting and regulatory fees.

While the Company currently intends to use the available funds for the purposes set out herein, it will have discretion in the actual application of the available funds, and may elect to use the net proceeds differently than as described herein, if the Company believes it is in its best interests to do so. See “*No Proceeds Raised*”.



## Risk Factors

An investment in the Company involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the business of the Company.

The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results include, but are not limited to: compliance with regulatory requirements and dependence on obtaining regulatory approvals; limited operating history; reliance on management; U.S. regulatory issues concerning cannabis; competition; reliance on key inputs; dependence on suppliers, distributors and skilled labor; difficulty in forecasting sales; difficulties with forecasting results; conflicts of interest; litigation; price fluctuation of the Common Shares; no earnings or dividend record; limited market for the Company's securities; requirements for additional financing; unconfirmed assumptions for financial projections that may prove materially inaccurate or incorrect; challenges with managing growth; unpredictable operational or investment results; and other factors beyond the control of the Company.

For a detailed description of certain risk factors relating to the Common Shares which should be carefully considered before making an investment decision. See "*Risk Factors*" for further details.

## Summary of Financial Information

### *Hollister Biosciences*

The following table sets forth the selected financial information for the period from April 17, 2019 (date of incorporation) to June 30, 2019 and has been derived from the Hollister Biosciences Financial Statements, prepared in accordance with IFRS and attached as Schedule A to this Prospectus. The selected financial information should be read in conjunction with the Hollister Biosciences MD&A and the Hollister Biosciences Financial Statements contained elsewhere in this Prospectus.

	<b>For the period from April 17, 2019 (date of incorporation) to August 31, 2019 (audited) (USD\$)</b>
<b>Statement of Operations Data</b>	
Total revenues	\$nil
Total expenses	\$310,244
Loss and comprehensive loss	\$(376,054)
Net loss per share (basic and diluted)	\$(0.01)
<b>Balance Sheet Data</b>	
Current assets	\$2,532,876
Total assets	\$3,032,876
Current liabilities	\$88,609
Total liabilities	\$88,609



## Hollister

The following table sets forth the selected financial information for the year ended December 31, 2017, the year ended December 31, 2018 and the six months ended June 30, 2019 has been derived from the Hollister Financial Statements and accompanying notes thereto, prepared in accordance with IFRS and attached as Schedule C to this Prospectus. The selected financial information should be read in conjunction with the Hollister MD&A and the Hollister Financial Statements contained elsewhere in this Prospectus.

	For the year ended December 31, 2017 (US\$) (audited)	For the year ended December 31, 2018 (US\$) (audited)	For the six months ended June 30, 2019 (US\$) (unaudited)
<b>Statement of Operations Data</b>			
Total revenues	\$nil	\$465,317	\$428,227
Cost of sales	\$nil	\$1,069,045	\$561,569
Total expenses	\$260,801	\$369,747	\$305,773
Loss and comprehensive loss	\$(101,208)	\$(1,491,379)	\$(183,679)
Loss per share (basic and diluted)	\$(0.02)	\$(0.18)	\$(0.00)
<b>Balance Sheet Data</b>			
Current assets	\$233,103	\$331,861	\$358,429
Total assets	\$868,246	\$568,860	\$2,250,464
Current liabilities	\$268,947	\$245,588	\$1,295,929
Total liabilities	\$569,354	\$544,680	\$2,676,322

## Resulting Issuer

The following table contains certain unaudited pro forma consolidated financial information for the Company as at and for the period ended August 31, 2019 and gives effect to completion of the Transaction and the Offering as if they had occurred as of August 31, 2019. This information should be read together with the Pro Forma Financial Statements of the Company, attached as Schedule E, along with the Hollister Biosciences Financial Statements and the Hollister Financial Statements contained elsewhere in this Prospectus.

	As at August 31, 2019 (unaudited)
<b>Balance Sheet Data</b>	
Current assets	\$2,413,505
Total assets	\$4,305,540
Current liabilities	\$1,384,538
Total liabilities	\$2,764,931

	As at August 31, 2019 (unaudited)
Deficit	\$(3,176,785)

## CORPORATE STRUCTURE

### Name, Address and Incorporation of Company

Hollister Biosciences was incorporated on April 17, 2019 under the BCBCA under the name “1205600 B.C. Ltd.” On August 29, 2019, it changed its name to “Hollister Biosciences Inc.”

The head office is located at Suite 400 – 725 Granville Street, Vancouver, British Columbia V7Y 1G5 and the registered and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

### Name, Address and Incorporation of Hollister

Hollister was formed under the name “Weldon Manor LLC” as a limited liability company in the state of California on January 13, 2017 under Title 2.6 of the *California Revised Uniform Limited Liability Company Act*. Hollister does business as “Hollister Cannabis”.

Hollister’s head office is located at 1802 Shelton Drive, Hollister, California 95023 and its registered office is located at 212 – 9921 Carmel Mtn RD, San Diego, California 95023.

### Name, Address and Incorporation of Hollister Holistics 1

Hollister Holistics 1, doing business as Hollister Cannabis Co., (“**HH1**”) was formed under the name “Cal West Organics Corporation” as a non-profit mutual benefit corporation in the state of California on July 28<sup>th</sup> 2014. On October 11, 2017, it changed its name to “Hollister Holistics 1”. On June 11, 2018, HH1 became a general stock corporation in the State of California.

HH1’s office and address for service is located at 1802 Shelton Drive, Hollister, California 95023.

### Name, Address and Incorporation of Hollister Holistics 2

Hollister Holistics 2 (“**HH2**”) was formed under the name “Cal West Organics Growth Corporation” as a non-profit mutual benefit corporation in the state of California on June 12, 2017. On October 11, 2017, it changed its name to “Hollister Holistics 2”. On June 11, 2018, HH2 became a general stock corporation in the State of California.

HH2’s address is located at 9921 Carmel Mtn RD#212, San Diego, California 92129.

### Acquisition of Hollister

Hollister Biosciences entered into a securities exchange agreement dated July 9, 2019 with Hollister and the Hollister Members (the “**Securities Exchange Agreement**”), whereby Hollister Members received Common Shares in consideration of all the issued and outstanding Hollister Membership Interests (the “**Transaction**”).

The Transaction closed on November 8, 2019 (the “**Closing Date**”).

Pursuant to the Transaction, Hollister Biosciences issued to Hollister Members, pro rata to their respective holdings of Hollister Membership Interests, 60,000,000 pre-Consolidation Common Shares at a price of \$0.07 per Common Share (the “**Transaction Shares**”) in exchange for all of the issued and outstanding Hollister Membership Interests (of which 8,580,000 pre-Consolidation Common Shares were issued to the Company and subsequently cancelled).

Pursuant to the Transaction, Hollister Biosciences issued 1,200,000 pre-Consolidation Common Shares at a deemed price of \$0.07 per share as a finder's fee to Pug Communications Inc. ("**Finder's Shares**"), an arm's length party.

Certain of the Transaction Shares are subject to escrow pursuant to the Escrow Agreement (defined herein) and all Transaction Shares are subject to certain voluntary escrow terms under the Securities Exchange Agreement. See "*Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer – Pooling Agreements*".

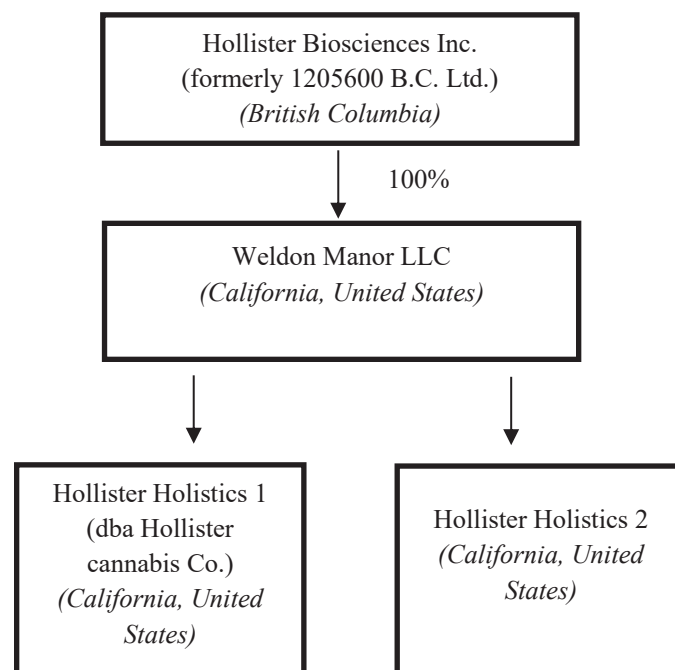
Closing of the Transaction was subject to, among other things: (i) receipt of all required governmental, regulatory, shareholder/member and third party approvals necessary to complete the Transaction; (ii) completion of due diligence by each party; (iii) the Common Shares being conditionally approved for listing on the CSE; (iv) all representations and warranties of each party under the Securities Exchange Agreement being true and correct as of closing; (v) the Company entering into employment or consulting agreement with certain management, employees and consultants; and (vi) the restructuring of Hollister Biosciences' board of directors and management and the approval of the respective boards of directors and shareholders, as applicable.

As a result of the Transaction, Hollister will become a wholly-owned subsidiary of the Resulting Issuer and the business of Hollister became the business of the Resulting Issuer. The former Hollister Members own approximately 31.5% of the issued and outstanding Common Shares upon completion of the Transaction (excluding 8,580,000 pre-Consolidation Common Shares to be issued to the Company which were subsequently cancelled). See "Consolidated Capitalization - Fully Diluted Share Capital."

Following the Transaction, the Resulting Issuer's head office is located at 1802 Shelton Drive, Hollister, California 95023 and its registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

### Intercorporate Relationships

Before completion of the Transaction, the Company did not have any inter-corporate relationships. The following diagram summarizes the structure of the entities upon completion of the Transaction. See "*The Transaction*".



## GENERAL DEVELOPMENT OF THE BUSINESS

Before the acquisition of Hollister, the Company had no active business. Accordingly, the business discussion set forth below relates to the business of Hollister, which, upon closing of the Transaction, became the business of the Company.

### History

#### *Hollister Biosciences*

The Company has no active business and was incorporated on April 17, 2019 under the BCBCA for purpose of undergoing a qualifying transaction to become a reporting issuer and to list on a Canadian stock exchange. See “Description of the Business”.

- On April 26, 2019, Hollister Biosciences issued 32,000,000 Common Shares at a price of \$0.005 per Common Share as part of a seed round financing for aggregate proceeds of \$160,000.
- On June 6, 2019, Hollister Biosciences issued 8,600,000 Common Shares to certain creditors of the Company at a deemed price of \$0.005 per Common Share in satisfaction of an aggregate of \$43,000 of debt.
- On June 14, 2019, Hollister Biosciences issued 8,000,000 Common Shares at a price of \$0.02 per Common Share as part of a seed round financing for aggregate proceeds of \$160,000.
- On July 8, 2019, Hollister Biosciences issued a total of 375,000 \$0.05 Special Warrants pursuant to the \$0.05 Special Warrant Offering for aggregate proceeds of \$18,750. The \$0.05 Special Warrants were deemed to be exercised into 375,000 Common Shares on November 9, 2019.
- On July 11, 2019, Hollister Biosciences issued a total of 61,570,998 \$0.07 Special Warrants pursuant to the \$0.07 Special Warrant Offering for aggregate proceeds of \$4,309,969.86. In connection with the \$0.07 Special Warrant Offering, the Company paid eligible arm’s length finders’ an aggregate of \$301,697.88 and issued an aggregate of 4,309,969 finder’s warrants (“**Finder’s Warrants**”). Each Finder’s Warrant entitles the holder to acquire one Common Share at a price of \$0.07 per share until July 11, 2021. The \$0.07 Special Warrants were deemed to be exercised into 61,570,998 Common Shares on November 12, 2019.

#### *Hollister*

Hollister was formed on January 13, 2017 under Title 2.6 of the *California Revised Uniform Limited Liability Company Act*. Since that date, it has pursued the activities described below.

- On December 31, 2017, Hollister completed an initial financing of Hollister Membership Interests to friends and family for gross proceeds of US\$400,000, consisting of 3.58% of the outstanding Hollister Membership Interests.
- On April 30, 2018, Hollister completed a financing of Hollister Membership Interests to friends and family for gross proceeds of US\$550,000, consisting of 4.9% of the outstanding Hollister Membership Interests.
- On July 30, 2018, Hollister completed a financing of Hollister Membership Interests to friends and family for gross proceeds of US\$667,000, consisting of 14.3% of the outstanding Hollister Membership Interests.
- On April 17, 2019, Hollister completed a financing of Hollister Membership Interests to friends and family for gross proceeds of \$150,000, consisting of 1.35% of the outstanding Hollister Membership Interests.

## DESCRIPTION OF THE BUSINESS

### General

The business of the Resulting Issuer will effectively be the business of Hollister. Hollister currently manufactures hash, tinctures, hash infused products, crumble infused products, pre-roll, and other cannabis products under several proprietary brands and as white label products. The Company intends to be an integrated company operating across the entire cannabis value chain, cultivating, manufacturing and producing cannabis and cannabis products. Further, the Company intends to move into the hemp market.

Hollister operates a 37,061 square foot indoor cannabis facility located at 1802 Shelton Drive, Hollister California 95023 (the “**Facility**”) that meets all security requirements under applicable laws (see “*Regulatory Overview*”). Hollister currently operates in 2,061 square feet of the Facility and uses this space to conduct its cannabis handling activities. The Company intends to build-out the remaining portion (35,000 square feet) of the Facility to allow for additional processing, manufacturing and packaging projects, including Hollister’s nanoemulsified cannabis concentrate to be used in sublingual sprays, beverages, edibles and capsules (as permitted) (see “*Regulatory Overview*”).

### Cannabis Facility

#### *Lease*

Hollister leases the Facility under a lease agreement dated August 28, 2017 (the “**Facility Lease**”). Hollister currently pays US\$64,856.75 per month in rent under the Facility Lease. Hollister has the option to lease additional land under the Facility Lease to build greenhouses at the rate of USD\$0.25 per square foot per month (with a minimum requirement of renting 30,000 square feet of additional space).

The initial term of the Facility Lease ends on September 1, 2022 and may be renewed for three additional five year options, subject to termination by either Hollister or the lessor in the event that Hollister is no longer able to use the Facility for its lawful cannabis operations.

#### *Technical Specifications*

The Facility is a manufacturing facility the Company currently uses to manufacture pre-rolls, infused pre-roll, bubble hash, tinctures and cannabis product packing. Once the Company completes the build-out of the Facility (see “*Facility Build-Out and Upgrades*” below), it intends to use the Facility for manufacturing our Nanopure product, sublingual sprays, beverages, edibles and capsules, as described elsewhere in this Prospectus.

The Facility has the following characteristics that make it an advantageous location for cannabis manufacturing and wholesale distribution:

- Located inland from the central coast in California (46 miles south from San Jose, California; 30 minutes to major highways Route 5 and the 101);
- City of Hollister has a warm-summer Mediterranean climate;
- 37,061 square feet of total space;
- 35,000 square feet – 28 foot high ceilings, large open space for operations, concrete floors (‘tilt-up’ concrete construction), and dedicated power supply (2600 amps 3 phase 208 power);
- ATG Pharma RoboCAP RL-300 enables Hollister to automatically fill vaporizer cartridges with cannabis oil, tincture bottles, two part capsules and molds for edibles. Fills up to 2,000 cartridges, 6,000 capsules and 1,200 tincture bottles per hour;
- Auto Labe 390 Automatic Table Top Labeling System (30 to 60 labels per minute);
- 7 Harvestright Pharmaceutical Freeze Dryers; and

- Epson ColorWorks TM-C7500 label printer.

### ***Facility Build-Out and Upgrades***

Hollister is currently in the planning stages to design and cost upgrading and expanding the Facility in order to expand its current manufacturing capacity and to enable it to manufacture its Nanopure product, sublingual sprays, beverages, edibles and capsules. (see “*Risk Factors – There are factors which may prevent the Company from the realization of growth targets.*”).

### **Cannabis Licenses**

The below table summarizes the cannabis licenses currently held by Company for operations at the Facility (the “**Licenses**”):

<b>License Type</b>	<b>License No.</b>	<b>Jurisdiction</b>	<b>Expiry Date</b>	<b>License Holder</b>
Annual Manufacturing License (Type 6 – Volatile Solvent Extraction)	CDPH-10002698	State of California	04/23/2020	HH1
Adult-Use and Medicinal – Distributor Provisional	C11-0000986-LIC	State of California	8/12/2020	HH1
Cannabis Cultivation License	LCA19-0002967	State of California	Pending Issuance	HH2
Cannabis Facility Regulatory Permit to Manufacture Cannabis <sup>(1)</sup>	N/A	City of Hollister, California	12/22/2019 <sup>(2)</sup>	Carl Saling
Cannabis Facility Regulatory Permit to Distribute Cannabis <sup>(1)</sup>	N/A	City of Hollister, California	4/16/2020	Carl Saling

**Note:**

- 1) Issued pursuant to the provisions of Chapter 5.42 Medical Cannabis Facility of the Hollister Municipal Code.
- 2) The Company intends to submit a renewal application prior to expiry of this license.

See “*Risk Factors — There is no assurance that the Company will obtain and retain any relevant licenses*”.

### **Principal Products and Services**

#### ***Cannabis Products***

The Company plans to use the cannabis Facility for the production and downstream processing of cannabis products using plant materials purchased from the licensed marketplace. Some products will be unprocessed (e.g. dried flowers), while others will be processed (e.g. oil derived from the cannabis leaves). The Company expects to offer products in the medicinal and recreational spaces, which may include products in the categories of, pre packaged flower, pre-roll, infused pre-roll, bubble hash, tinctures, beverages, edibles and pet products (see “*Risk Factors*”).

The Company does not anticipate any difficulty with sources, pricing and availability of raw materials (e.g. bulk cannabis oil, cannabis flower, trim, etc.) given current supply conditions in the California cannabis industry. However, Hollister could be subject to supply fluctuations in the future if conditions were to change (see “*Risk Factors – the Company is reliant on key inputs, such as water, utilities and bulk cannabis materials, and any interruption of these*”).

*services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts").*

### ***Manufacturing and Packaging Processes***

Hollister products are packaged, labeled and prepared for distribution prior to leaving the Facility. The Company uses a RoboCAP RL-300 from ATG Pharma (from Canada) to fill vape cartridges, capsules, tincture bottles and other products. The Company then uses a blister pack machine and an Auto Label machine to efficiently package and label its products.

Part of the cannabis licensing process in the state of California requires license applicants to submit their SOPs (see "*Regulatory Overview*"). Hollister has developed extensive SOPs for every facet of the business in order to meet appropriate license requirements. The Company is also updating and improving its packaging by elevating its designs and shifting to more sustainable packaging options in the future. Hollister currently uses child safe tubes for all of the pre-roll and it intends to use hemp plastic tubes that are 100% compostable to help promote sustainability.

### ***Distribution Methods***

Hollister currently utilizes WAYV, a software platform for distribution and fulfillment management. Indus Holdings, Inc. ("**Indus**") is the licensed California distributor that operates the WAYV platform. Indus currently manages all of Hollister's product fulfillment obligations, allowing Hollister to focus its efforts on production and marketing. Indus provides Hollister with full brand representation by utilizing its 14 sales reps to represent Hollister's product to the California marketplace.

Hollister does not anticipate losing its relationship with Indus, but in the event that it loses this relationship, the Company intends to maintain distribution channels by leveraging its position as a licensed distributor and to create contracting with another third party distributor. (see "*Risk Factors – "there is no assurance that the Company will maintain its distribution relationship with Indus"*").

### ***Manufacturing Relationships***

Hollister currently manufactures pre-rolls and infused pre-rolls (further described below) and distributes its products primarily through its distributor, Indus.

### ***Marketing and Brand Strategies***

To establish the optimal marketing and brand strategies, Hollister conducted market analyses with respect to market size and growth, competitor analysis, customer segments and product trends in the cannabis space.<sup>1</sup> Hollister has established the brand strategies summarized below for its five consumer packaged cannabis goods brands. Hollister has secured domain names for certain products and trademarks, where possible, (see the below heading "*Intellectual Property*"). The Company has undertaken initial formulation work on the brands/products listed below and the same are subject to evolve as both the Company's business plan and the cannabis market evolve.

### **HashBones**

Hashbones are a pre-roll or joint made from 75% cannabis flower blended in small batches with 25% bubble hash. This results in a more potent pre-roll. It also maintains the integrity of the cannabis. Terpenes are preserved in the bubble hash production process. Bubble hash is made without solvents or chemicals and is one of the cleanest concentrates available on the market. It is also more stable than flower alone, making these pre-rolls more 'shelf' stable than the average pre-roll. Many other infused pre-rolls have distillate, usually made with butane or ethanol,

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<sup>1</sup> Principal sources include *A Society in Transition, an Industry Ready to Bloom* (Deloitte, 2018), *Now we Know What Californians are Smoking* (BDS Analytics, September 2017); *Cannabis Sales May Surpass Soda by 2030*, Jennifer Kaplan (Bloomberg, 2018); *California – The Golden Opportunity?* (Areview Market Analysis, Cannabis Intelligence Briefing).



painted on the outside of the pre-roll which is then dipped in kief or hash. This results in a product that is messy and does not offer the same full flavor profile that blending hash with flower provides.

HashBones are the Company's pre-roll made of 75% flower and 25% artisanal bubble hash. Pre-rolls are currently the Company's most successful product.

The Company purchases cannabis flower and carefully grinds up the flower to remove any waste material and stems. Hollister only uses raw flower that meets its high quality standards. The Company manufacturers bubble hash with purified water and ice in hash wash machines. It is dried in state of the art freeze dryers. The Company's pre-rolls are machine filled and every pre-roll is precisely weighed to ensure it meets state requirements for variance.

The infusion of bubble hash makes this product unique and very popular. Due to the labor it takes to craft bubble hash there are few competitors in the space.

### Mighty Meds

Hollister acquired Mighty Meds as its vape brand (see "General Development of the Business"). The Company's vape products are manufactured from pure THC distillate and plant-based terpenes.<sup>2</sup> The Company is planning to re-brand its "Mighty Meds" brand to "Mighty Vape", following its experience that the term "meds" has not translated well in the competitive adult use marketplace. The Company also intends to update its website, create new vape hardware and upgrade its vape formulas.

### Purity Pettibles

Purity Petibles 20:1 CBD pet tincture is manufactured using full spectrum CBD, organic MCT Oil derived from coconuts and chicken flavor. The MCT Oil and chicken flavor used in Purity Petibles is food grade.

### Hollister Cannabis Co.

NanoPure, nanoemulsified cannabis concentrate which will be sold both wholesale as an ingredient for other companies and power products for Hollister Cannabis Co. NanoPure is currently manufactured using sonic technology to shear the THC/CBD molecule into smaller sizes that are encapsulated in a nanoemulsion.

Hollister Cannabis Co's product line consists of all flower pre-rolls and bubble hash. The Company goes to great length to ensure that all of the flower used to make its pre-rolls is thoroughly cleaned, de-stemmed and examined for any impurities (see above "*Manufacturing and Packaging Processes*"). The Company throws away what many other companies just grind up and add to their pre roll. It may cost the Company a little more, but the end product is far superior.

The Company manufactures solventless<sup>3</sup> ice water bubble hash to be used in its HashBone product and to be sold in one-gram glass jars. Hollister uses cold ice water and agitation to remove the THC/CBD from the cannabis plant. The Company drains the ice water through bubble hash bags using screens to harvest the hash product. Hollister then puts the harvested hash into its state-of-the-art freeze dryers to finish.

Hollister is in the process of developing a product called NanoPure by nano-emulsifying<sup>4</sup> cannabis concentrate using ultrasound technology. Hollister intends to create nanoemulsion using sonomechanics. Hollister will then use spray dry technology to turn the sonomechanics nanoemulsion into a water-soluble powder. By using a water soluble active ingredient the activation time is reduced. It is also easier to get to a precise dose as it stays dispersed evenly in the

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<sup>2</sup> "Terpenes" are diverse class of organic compounds produced by certain plants. These compounds are often to enhance the flavor and effects of cannabis.

<sup>3</sup> Many extraction technologies uses some sort of solvent. It is a challenge to remove 100% of the solvent from the end product. It is also very harsh and strips a good amount or all of the terpenes and other natural compounds that are normally found in cannabis.

<sup>4</sup> "Nano-emulsification" occurs when cannabis is broken down into nanoparticles (oily system) and mixed with water (aqueous system) to form a solution that acts like a water-soluble product.



solution. Hollister will use NanoPure in the manufacturing process for sublingual sprays, tinctures, beverages and edibles. Hollister intends to bring NanoPure to production in the 4th quarter of 2019.

#### White Label

The Company manufactures pre-rolls, infused pre-rolls and packages flower into 3.5 gram and 1 gram packages as “white label” products for other licensed California cannabis companies. Those companies then distribute their own products.

### **Competition**

#### ***General***

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Company.

Financing for companies in the cannabis sector is generally more difficult than other sectors, given the future uncertainties for the regulatory framework. Further, because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical and recreational marijuana in California increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

The fast-growing market for legalized cannabis in California has created a competitive environment for cannabis manufacturers and producers alike, as well as other types of companies who provide goods and services to the cannabis industry. To remain competitive, the Company will require a continued high level of investment in its Facility, products and technologies, manufacturing distribution, research and development, marketing, sales and client support. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that the Company can continue to expand its cannabis-related holdings by providing tailored, compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets. Established pharmaceutical companies are also entering the cannabis space and could become potential competition or potential partners to the cannabis industry. See “*Risk Factors*”.

Whereas certain of the Company’s competitors focus on one or two products, the Company believes it has an advantage because it intends to have a broad selection of products that will enable it to insulate its margins as the different market segments fluctuate.

#### ***Competitor Comparison***

Based on management’s knowledge of the active companies in the California cannabis industry, the Company is of the view that the following businesses could potentially compete with Hollister in its market.

<b>Competitor</b>	<b>Description of Business</b>	<b>Operations Location</b>
CannaCraft	Cannacraft is the owner of several of the most popular brands in California, including Absolute Extraxts, Care By Design, Satori and High Fi Hops	Santa Rosa, California
Canndescent	Canndescent is a premier brand in California with flower, pre rolls and vape products. They lead the industry in branding.	Palm Desert, California

Competitor	Description of Business	Operations Location
LoudPack	Loudpack has a wide selection of brands in several categories and has strong marketing.	Greenfield, California
NUG	NUG NUG, Inc. is a premier, state-licensed and vertically-integrated California cannabis company.	Oakland, California
Caliva	Premier vertically integrated brand that has several high profile investors. Premier has large product selection.	San Jose, California
Sunderstorm	Sunderstorm offers gummies, vapes, sprays and flower.	Bay Area, California

**Note:**

1) Together, Cannacrat, CannDESCENT, Loudpack, NUG, Caliva & Sunderstorm have an 11.5% market share in California.

### **Employees, Specialized Skills and Knowledge**

As of the date hereof, Hollister Biosciences has no employees, consultants or contractors. The operations of Hollister Biosciences are managed by its directors and officers.

As of the date of this Prospectus, Hollister has eleven full-time employees, exclusive of management. Hollister also relies on part-time consultants and contractors to conduct its operations. The operations of Hollister are managed by its directors and officers.

At the completion of the Transaction, the Resulting Issuer expects to have eleven full-time employees. The Resulting Issuer will also rely on consultants and contractors to conduct its operations. The operations of the Resulting Issuer will be managed by its directors and officers.

The nature of the Company's business requires specialized knowledge and technical skill around the cultivating, harvesting, production, and regulations of cannabis and the cannabis industry. The required skills and knowledge to succeed in this industry are available to the Company through certain members of the Company's management, directors, officers, and advisory teams.

### **Intellectual Property**

Hollister currently has no patents or trademarks. The Company intends to file several trademarks in 2019.

As of the date of this Prospectus, Hollister owns the following domain names:

- hollistercannabisco.com
- hollistercannabis.company
- hollisterhempco.com
- mightymedvape.com
- hashbones.com
- hollistercbd.com
- hollisterholistics.com
- mightyvape.net
- nanopure.biz
- vapemighty.com
- weldonmanor.com

### **Future Developments**

#### ***General***

The Company will continue to evaluate the changing cannabis regulatory landscape within California to expand operations in opportune locations. The Company will also evaluate new technologies which may be utilized in the Company's Facilities in the future.

If the Company is unable to obtain/retain the Licenses, it will evaluate the full range of alternatives to allow it to carry on its business. Without limitation, such alternatives may include the acquisition of the holder of the necessary cannabis license issued under California and local law, a business partnership with the holder of such a license or an application by Hollister itself for such a license.

### ***Additional Products***

The Company intends to establish a hemp products division called "Rebel Hemp Co." that will focus on the hemp industry. Entry into the hemp industry is subject to certain regulatory and other risks (see "*Risk Factors*").

Hollister intends to establish a hemp products division called "Rebel Hemp Co." that will focus on serving the hemp industry. The Company will initially license its brand name to contract licensed manufactures that will then sell hemp related products under Hollister's brand name. The Company is still evaluating the partners it will engage with to manufacture its hemp products.

The Company intends to build an e-commerce website to facilitate the sales of the Company's hemp products. The Company will also engage with a third party fulfilment center to handle pick, pack and shipping of its online orders.

As Hollister grows its hemp based business it will look to grow into processing raw hemp into the oils used to make its products.

Hollister's hemp business is in the development stages and no products have been created or released at this time. There is no guarantee that the Company will be successful in entering the hemp industry (see "*Risk Factors*").

## **REGULATORY OVERVIEW**

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), below is a general discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company may have direct, indirect or ancillary involvement through its subsidiaries and investments. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

### **Summary of the Company's U.S. Cannabis Activity**

The Company, through its subsidiaries, has direct exposure to the cannabis market in the State of California. The Company intends to be directly involved in the U.S. industrial hemp market. All such activity is recorded through the Hollister Subsidiaries and is also reflected in the Hollister Financial Statements as at and for the six months ended June 30, 2019. As of the date hereof, the Company has no further direct or indirect cannabis-related activity elsewhere in the U.S.

The following table is a summary of the Company's balance sheet exposure to U.S. cannabis-related activities, expressed in U.S. dollars:

	<b>Operating Subsidiary (unaudited)</b>
<b>Current assets</b>	\$358,429
<b>Non-current assets</b>	\$1,892,035

<b>Total assets</b>	\$2,250,464
<b>Current liabilities</b>	\$1,295,929
<b>Non-current liabilities</b>	\$1,380,393
<b>Total liabilities</b>	\$2,676,322
<b>Members' deficiency</b>	(\$425,858)
<b>Total liabilities and Member's equity</b>	\$2,250,464

The following is a summary of the operating losses from U.S. cannabis-related activities for the six months ended June 30, 2019:

	<b>Operating Subsidiary (unaudited)</b>
<b>Revenue</b>	\$428,227
<b>Cost of sales</b>	\$561,569
<b>Gross margin</b>	(\$133,342)
<b>Less – Operating expenses</b>	\$305,773

The operating expenses above include expenses directly incurred by the Hollister Subsidiaries. These operating expenses do not include any allocation of costs incurred at the Company's Canadian head office and for Canadian employees. They also exclude any share-based compensation.

The following represents the portion of certain assets on the Company's consolidated balance sheet that pertain to U.S. cannabis activity as of June 30, 2019:

<b>Balance Sheet Line Item</b>	<b>Percentage which Relates to Holdings with U.S. Cannabis-Related Activities (unaudited)</b>
Cash	\$17,281 (1%)
Receivables	\$110,999 (100%)
Deposits	\$104,500 (100%)
Property and equipment	\$1,787,535 (100%)
Intangible assets	\$0 (0%)

The Company has looked at all its holdings that are based in the U.S. and given that none of these holdings have any Canadian operating activity, all holdings in such entities was included in the Company's assets.

**Readers are cautioned that the foregoing financial information was drawn from the Hollister Financial Statements.**

#### ***Table of Concordance***

In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
<b>All Issuers with U.S. Marijuana-Related Activities</b>	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	See <i>"Description of the Business"</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	See <i>Cover Page</i> (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	See <i>"Regulatory Overview"</i> See <i>"Risk Factors – Risks Relating to the Company's Business"</i> See <i>"Risk Factors – Risks Specifically Related to the U.S. Regulatory System"</i> See <i>"Risk Factors – the enforcement of relevant laws is a significant risk"</i> See <i>"Risk Factors – Farm Bill Risks"</i> See <i>"Risk Factors – Regulation of Hemp-Derived CBD Products"</i>
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	See <i>"Risk Factors – Reliance on Third-Party Suppliers, Manufacturers and Contactors"</i> See <i>"Risk Factors – There is no assurance that the Company will maintain its distribution relationship with Indus"</i> See <i>"Risk Factors – Change in Laws, Regulations and Guidelines"</i> See <i>"Risk Factors – The Company's operations in the U.S. cannabis market may become the subject of heightened scrutiny"</i>
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	See <i>"Regulatory Overview – Ability to Access Public and Private Capital"</i> See <i>"Risk Factors – Need for Additional Financing"</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	See " <i>Description of the Business</i> " See " <i>Regulatory Overview – Summary of the Issuer's U.S. Cannabis Activity</i> "
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has been obtained by local counsel. See " <i>Regulatory Overview – U.S. Compliance Procedures</i> "
<b>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</b>	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	See " <i>Regulatory Overview – U.S. Cannabis Regulations</i> " See " <i>Regulatory Overview – State Regulation – Cannabis – California</i> "
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	See " <i>Regulatory Overview – U.S. Cannabis Regulations</i> " See " <i>Regulatory Overview – U.S. Compliance Procedures</i> "
<b>U.S. Marijuana Issuers with indirect involvement in cultivation or distribution</b>	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	N/A
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's license, business activities or operations.	N/A

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
<b>U.S. Marijuana Issuers with material ancillary involvement</b>	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A

## U.S. Cannabis Regulation

### *Federal Regulation – Cannabis*

Although a number of states of the United States have legalized medical marijuana, recreational marijuana, or both, it remains illegal under United States federal law. Cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

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

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions



Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute cannabis-related offenses. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

On January 15, 2019, U.S. Attorney General nominee William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan or any other service could be found guilty of money laundering or conspiracy. Despite these laws, in February 2014, the Financial Crimes Enforcement Network (“**FCEN**”) of the Treasury Department issued a memorandum (the “**FCEN Memorandum**”) providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memorandum. See “*Risk Factors*” for further discussion.

### ***State Regulation – Cannabis***

As of the date hereof, the Issuer does not have an operating presence in any U.S. state with respect to cannabis related activities (other than industrial hemp operations; see below “*U.S. Federal Law—Industrial Hemp*” and “*U.S. State Law—Industrial Hemp*”). Upon acquiring U.S. operations in a particular state, the Issuer will, as soon as reasonably practicable, evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

Although the Issuer intends to make commercially reasonable efforts to ensure that the activities of its Investments are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Issuer of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Issuer.

### **California**



### *Investment Activities*

Hollister operates in the recreational and medicinal cannabis market in the State of California, primarily as a manufacturer and processor of cannabis products. Regulations with respect to the treatment of cannabis and hemp vary from state to state and continue to evolve.

### *History of California Regulations prior to the Medicinal and Adult-Use Cannabis Regulation and Safety Act*

In 1996, California voters passed Proposition 215, the *Compassionate Use Act* allowing physicians to legally recommend medical cannabis for patients who would benefit from cannabis. The Compassionate Use Act legalized the use, possession and cultivation of medical cannabis for an inclusive set of qualifying medical conditions. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills, collectively known as the Medical Cannabis Regulation and Safety Act (the “**MCRSA**”). The MCRSA established a licensing and regulatory framework for the medical cannabis businesses in California. The system created multiple licence types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies and distributors. Edible-infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licences depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and would require businesses to obtain a licence and local approval to operate.

In November 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act (the “**AUMA**”) creating an adult-use cannabis program for individuals 21 years of age or older and a licensing system for commercial cannabis businesses. The AUMA contained conflicting provisions with the MCRSA. Consequently, in June 2017, the California State Legislature passed Senate Bill No. 94, known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (the “**MAUCRSA**”), which combined the MCRSA and the AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses. MAUCRSA went into effect on January 1, 2018.

### *Regulatory Changes*

Pursuant to MAUCRSA, the three agencies that regulate cannabis at the state level are: (i) the California Department of Food and Agriculture, via CalCannabis, which issues licences to cannabis cultivators; (ii) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, which issues licences to cannabis manufacturers; and (iii) the California Department of Consumer Affairs, via the Bureau of Cannabis Control, which issues licences to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California’s cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and immediately began issuing licences.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator’s licenced operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality’s jurisdiction. This requires licence holders to operate in cities with cannabis licensing and approval programs.

A medicinal retailer licence permits the sale of medicinal cannabis and cannabis products to a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations. An adult-use retail licence permits the sale of cannabis and cannabis products to any individual who is 21 years old or older who does not possess a physician's recommendation.

An adult-use or medicinal cultivation licence permits cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licences further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

An adult-use or medical manufacturing licence permits the manufacturing of cannabis products. Manufacturing includes the compounding, blending, extracting, infusion, packaging or repackaging, labeling or relabeling or other preparation of a cannabis product.

In the state of California, only cannabis that is grown in the state can be sold in the state. The state allows licensees to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the State. Under the MAUCRSA, testing laboratory licensees may not hold any other licences aside from a laboratory licence. However, a licensee is not prohibited from performing testing on the licensee's premises for the purposes of quality assurance of a cannabis product in conjunction with reasonable business operations (testing conducted on the licensee's premises by the licensee does not meet the testing requirements required under MAUCRSA).

On May 18, 2018, the California Department of Consumer Affairs, the California Department of Public Health and the California Department of Food and Agriculture proposed to re-adopt their emergency cannabis regulations. The three licensing authorities proposed changes to the regulatory provisions to provide greater clarity to licensees and to address issues that have arisen since the emergency regulations went into effect in December 2017. Highlighted among the changes are that applicants may now complete one licence application which will allow for both medical and adult-use cannabis activity. These emergency cannabis regulations were officially readopted on June 4, 2018 and came into effect on June 6, 2018.

On January 16, 2019, California's three state cannabis licensing authorities announced that the Office of Administrative Law officially approved state regulations for cannabis businesses. The final cannabis regulations took effect immediately and superseded the previous emergency regulations.

The Company is, or will be, "directly" involved in the cultivation and distribution of cannabis in California as a result of the acquisition of Hollister and the Hollister Subsidiaries. Hollister has represented to the Company that Hollister's business was, or will be, conducted in compliance with the regulatory framework enacted by the State of California. As of the date of this Prospectus, Hollister is in compliance with all applicable California laws, regulations, and guidelines.

### *Licences*

Although vertical integration across multiple licence types is allowed under the state regulations, it is not required. See above "*Description of the Business – Cannabis Licenses*" for details concerning Hollister's cannabis licenses.

In September 2018, the Governor of California approved the Senate Bill 1459 ("**SB-1459**"). SB-1459 created a new scheme of provisional licences for cannabis operators. This provisional licensing scheme was essentially intended to replace the temporary licensing scheme. SB-1459 was necessary because the three main state cannabis licensing agencies – the Bureau of Cannabis Control, the California Department of Public Health and the California Department

of Food and Agriculture – and localities which issue permits to cannabis operators, were all backlogged with numerous applications and could not process all of the applications in time for applicants to become operational in 2018. The steps, per SB-1459 to obtain a provisional licence are as follows: (1) an applicant must hold or previously have held a temporary licence for the same commercial cannabis activity for which it seeks a provisional, and (2) the applicant must submit a completed annual licence application and poof that *California Environmental Quality Act* compliance is underway. Provisional licences last for 12 months and can be issued through the end of 2019.

Those licence holders which have a provisional or annual licence, must be compliant with the Marijuana Enforcement Tracking Reporting Compliance (the “METRC”) solution 30 days after receiving their licences. An application for renewal of a cultivation licence must be submitted to the state at least 30 calendar days prior to the expiration date of the current licence. A licence holder that does not submit a completed licence renewal application to the state within 30 calendar days after the expiration of the current licence forfeits their eligibility to apply for a licence renewal and, instead, would be required to submit a new licence application. The licence holders must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the state.

#### *Zoning and Land Use Requirements*

Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner’s authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

#### *Record-keeping/Reporting*

California has selected METRC as the track and trace (the “T&T”) system used to track commercial cannabis activity. Licensees are required to maintain records for at least seven years from the date a record is created. These records include: (a) a cultivation plan, (b) all supporting documentation for data or information input into the T&T system, (c) all unique identifiers assigned to product in inventory and all unassigned unique identifiers, (d) financial records related to the licenced commercial cannabis activity, including bank statements, tax records, sales invoices and receipts, and records of transport and transfer to other licenced facilities, (e) records related to employee training for the T&T system, and (f) permits, licences, and other local authorizations to conduct the licensee’s commercial and cannabis activity.

#### *Inventory/Storage*

Each licensee is required to assign an account manager to oversee the T&T system. The account manager is fully trained on the system and is accountable to record all commercial cannabis activities accurately and completely. The licensee is expected to correct any data that is entered into the T&T system in error within three business days of discovery of the error.

The licensee is required to report information in the T&T system for each transfer of cannabis or non-manufactured cannabis products to, or cannabis or non-manufactured cannabis products received from, other licenced operators. Licensees must use the T&T system for all inventory tracking activities at a licenced premise, including, but not limited to, reconciling all on premise and in-transit cannabis or non-manufactured cannabis product inventories at least once every 14 business days. The licensee must store cannabis and cannabis products in a secure place with locked doors.

#### *Security*

A licensee is required to maintain an alarm system capable of detecting and signaling the presence of a threat requiring urgent attention and to which law enforcement are expected to respond. A licensee must also ensure a professionally qualified alarm company operator or one of its registered alarm agents installs, maintains, monitors and responds to the alarm system.

The manufacturing and cultivation of cannabis must use a digital video surveillance system which runs 24 hours a day, seven days a week and effectively and clearly records images of the area under surveillance. Each camera must be placed in a location that clearly records activity occurring within 20 feet of all points of entry and exit on the licenced premises. The areas that will be recorded on the video surveillance system should include the following: (a) areas where cannabis goods are weighed, packed, stored, loaded, and unloaded for transportation, prepared or moved within the premises, (b) limited-access areas, (c) security rooms, and (d) areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area. Surveillance recordings must be kept for a minimum of 90 days.

#### *Transportation*

Transporting cannabis goods between licensees and a licenced facility may only be performed by persons holding a distributor licence. The vehicle or trailer used must not contain any markings or features on the exterior which may indicate or identify the contents or purpose. All cannabis products must be locked in a box, container, or cage that is secured to the inside of the vehicle or trailer. When left unattended, vehicles must be locked and secured. At a minimum, the vehicle must be equipped with an alarm system, motion detectors, pressure switches, duress, panic, and hold-up alarms.

#### *Operating Procedure Requirements*

Applicants must submit standard operating procedures (“SOPs”) describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State’s seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the SOPs are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

#### *Site Visits and Inspections*

The Company will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the state of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, the Company must consent to random and unannounced inspections of the commercial cannabis facility as well as all of the facility’s books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

### **U.S. Industrial Hemp Regulation**

#### ***Federal Regulation – Industrial Hemp***

On December 20, 2018 the Agricultural Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law by President Donald Trump. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States.

Under the 2018 Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol [THC] concentration of not more than 0.3 percent on a dry weight basis.” Although the U.S. federal government removed hemp from the CSA, it must be removed by each state to allow farming and extraction. The U.S. Department of Agriculture (the “USDA”) has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the USDA to review and approve any state-promulgated regulations relating to industrial hemp. Under the 2018 Farm Bill, state departments of agriculture must consult with the state’s governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. Until such time as the USDA approves a state’s industrial hemp regulations, commercial sale of industrial hemp may not be permissible. In states opting not to devise a hemp regulatory program, the USDA will construct a regulatory program under federally-run program.

The timing of such USDA regulations cannot be assured. Further, under the 2018 Farm Bill, the United States Food and Drug Administration (“FDA”) has retained authority over the addition of CBD to products that fall within the Food, Drug and Cosmetics Act (the “FDCA”). As per a FDA statement dated December 20, 2018, the FDA confirmed that it is unlawful under the FDCA to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived (see “*Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries*”).

The FDCA is also intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application (“NDA”) process or conform to a “monograph” for a particular drug category, as established by the FDA’s Over-the-Counter (“OTC”) Drug Review. CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA; therefore, under the FDA’s current position, it cannot be used in dietary supplements or as a food additive.

There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. Additionally, the 2018 Farm Bill does not legalize CBD derived from “marihuana” (as such term is defined in the CSA), which is and will remain a Schedule I controlled substance under the CSA.

Continued development of the industrial hemp industry—specifically with regards to CBD and the cannabinoid product industry—will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing

state laws are repealed or curtailed, the Issuer's investments in such businesses would be materially and adversely affected. See "*Risk Factors*."

### ***U.S. State Law – Industrial Hemp***

The Issuer intends to make commercially reasonable efforts to ensure that all its State Operators (defined herein) operate in accordance with federal and applicable state law concerning the cultivation, production and sale of industrial hemp and hemp products (including CBD products derived from hemp).

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally-approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan.

Historically, the fifty U.S. states have had different laws (or lack thereof) regulating industrial hemp. Based on the Issuer's review of state laws, it notes that few states (if any) have state statutory language which explicitly prohibits the retail sale of hemp-derived CBD. Prior to the implementation of the 2018 Farm Bill (and corresponding state federal/state approval requirements), Kentucky, Tennessee, Indiana, Missouri and Colorado had passed laws that explicitly exempted hemp extracts such as CBD from legal prohibitions normally incurred by controlled substances such as cannabis. The Issuer does not anticipate the regulations of these states to change based on recent federal regulatory developments. Further, the Issuer's position is that where state law is silent on the subject of hemp-derived CBD's legality, federal law provides protection, particularly in those states that have adopted model legislation that explicitly exempt from control those products and substances that are exempted by federal law.

The Issuer expects that many states will seek to have primary regulatory authority over the production of hemp and CBD products derived from hemp. However, it is unclear at this time how the FDA intends to enforce its policy against adding CBD and THC to food and beverages, or how it plans to interpret statements concerning "a claim of therapeutic benefit".<sup>5</sup> On March 20th, 2019, CVS Pharmacy announced that it intends to sell over-the-counter CBD products, including CBD-infused sprays, roll-ons, creams and salves to be used as an "alternative source of relief" in 800 stores in eight U.S. states (see "*Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries*").<sup>6</sup> Certain critics have cautioned that there is a risk that "people turn down effective medications to use unproven products, like CBD". However, as of the date hereof, the FDA has avoided issuing specific/situational guidance. The FDA's current position (as of the date hereof) is as follows:

"When a product is in violation of the FD&C Act, FDA considers many factors in deciding whether or not to initiate an enforcement action. Those factors include, among other things, agency resources

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<sup>5</sup> Lyndsay Meyer, "Statement from FDA Commissioner Scott Gottlieb, M.D., on signing of the Agriculture Improvement Act and the agency's regulation of products containing cannabis and cannabis-derived compounds" (December 20, 2018), online: U.S. Food and Drug Administration <<https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm>>.

<sup>6</sup> Shamard Charles, M.D., "CVS to sell CBD products in 800 stores in 8 states" (March 21, 2019), online: NBC News <<https://www.nbcnews.com/health/health-news/cvs-sell-cbd-products-800-stores-8-states-n986016>>.



and the threat to the public health. FDA also may consult with its federal and state partners in making decisions about whether to initiate a federal enforcement action.”<sup>7</sup>

In late 2018, the FDA confirmed, “pathways remain available for the FDA to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in food or dietary supplements”. On April 2, 2019, the FDA announced that intends to hold a public hearing on May 31, 2019 for stakeholders to share their experiences and challenges with CBD products, including information and views related to product safety. The FDA further announced its intention to form a high-level internal agency working group to explore potential pathways for dietary supplements and/or conventional foods containing CBD to be lawfully marketed; including a consideration of what statutory or regulatory changes might be needed and what the impact of such marketing would be on the public health.<sup>8</sup> In light of the FDA’s statements and the fact that there is growing support from industry and the scientific community to ‘de-regulate’ CBD generally,<sup>9</sup> the Issuer anticipates the FDA to continue the status quo of federal ‘non-enforcement’ in cases where state and local law permit certain activities.

### ***Enforcement of Federal Laws***

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

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the United States or elsewhere. A negative shift in the public’s perception of medical and/or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it wish to do so. See “*Risk Factors*”.

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

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<sup>7</sup> U.S. Food and Drug Administration, “FDA and Marijuana: Questions and Answers” (December 20, 2018), online: U.S. Food and Drug Administration <<https://www.fda.gov/NewsEvents/PublicHealthFocus/ucm421168.htm>>.

<sup>8</sup> FDA Statement, FDA US Food & Drug Administration, online: <<https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm635048.htm>>.

<sup>9</sup> Judith Kohler, “Legislators, hemp advocates say farm bill is a boon for Colorado’s growing industry” (December 13, 2018), online: The Denver Post <<https://www.denverpost.com/2018/12/13/colorado-hemp-farm-bill-impacts/>>; Bill Ranford, “Colorado’s hemp industry seen to have a green future” (January 12, 2019), online: The Gazette <[https://gazette.com/business/colorado-s-hemp-industry-seen-to-have-a-green-future/article\\_83520c76-0ada-11e9-83a8-2b7168446965.html](https://gazette.com/business/colorado-s-hemp-industry-seen-to-have-a-green-future/article_83520c76-0ada-11e9-83a8-2b7168446965.html)>; see Note by the Secretariat on the scope of control of substances: proposed scheduling recommendations by the World Health Organization on cannabis and cannabis-related activities, ECOSOC CND, 62nd Sess, Annex, Provisional Agenda Item 9(a), UN Doc E/CN.7/2019/12 at 10, (the WHO recommended “adding a footnote to the entry for cannabis and cannabis resin in Schedule I of the 1961 Convention to read ‘Preparations containing predominantly cannabidiol [CBD] and not more than 0.2 per cent of delta-9-tetrahydrocannabinol [THC] are not under international control’”).

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

The Company has historically, and continues to have, robust access to equity from prospectus exempt (private placement) markets in Canada. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it plans to (i) continue to access equity financing through private markets, and (ii) access equity financing through public markets in Canada, if listed on the CSE or another stock exchange. Further, the Company's executive team and board also have extensive relationships with sources of private capital (such as high net worth individuals), that could be investigated at a higher cost of capital. Current proceeds from the Company's financings will be used to finance the continued growth of the Company's business. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards, or through the issuance of shares which will be dilutive to the current shareholders.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors*".

### ***U.S. Compliance Procedures***

The Company will utilize an enterprise compliance platform, which integrates the Company's inventory management program and SOPs with the software's compliance checklists and auditing features to facilitate continued compliance with state and local requirements. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The Company will develop a robust compliance program designed to ensure operational and regulatory requirements continue to be satisfied, and has retained local U.S. outside counsel, to advise the Company in connection with compliance with California law on an ongoing basis. The Company will continue to work closely with its U.S. Counsel to develop and improve its internal compliance program, and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework. The Company's internal compliance program, including its use of an enterprise compliance platform, requires continued monitoring by managers and executives of the Company to ensure all operations conform with legally compliant SOPs. The Company further requires its employees and management to undergo ongoing training and to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian or U.S. cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses, irrespective of the Company's compliance with U.S. state and local law (see "*Risk Factors*"). The government of Canada has warned travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S.

## **USE OF AVAILABLE FUNDS**

### **Proceeds**

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



## Funds Available

The gross proceeds paid to the Company from the sale of the \$0.05 Special Warrants and the \$0.07 Special Warrants pursuant to the Offerings were \$4,328,719.86. As at October 31, 2019, the Resulting Issuer had working capital of approximately \$1,938,882 on a pro forma basis, giving effect to the Transaction and the Offerings.

The Resulting Issuer has used, or intends to use, the net proceeds of the Offerings and its other available funds as follows:

Item	Funds Allocated
<b>Funds Available</b>	
Working Capital of the Resulting Issuer as at October 31, 2019	\$1,938,882 <sup>(1)</sup>
<b>Total Available Funds</b>	<b>\$1,938,882</b>
<b>Principal Purposes for the Available Funds</b>	
Design of expanded manufacturing facility <sup>(2)</sup>	\$65,000
General and administrative costs for 12 months <sup>(3)</sup>	\$538,708
Investor relations	\$300,000
Expenses related to completion of the Transaction <sup>(4)</sup>	\$200,000
Travel and marketing	\$70,000
Launch “Rebel Hemp Co” website and line of products <sup>(2)</sup>	\$60,000
Recruit and implement brand ambassador team <sup>(2)</sup>	\$50,000
Increase distribution in California cannabis dispensaries <sup>(2)</sup>	\$100,000
Secure inventory <sup>(2)</sup>	\$250,000
Unallocated working capital	\$305,174
<b>Total</b>	<b>\$1,938,882</b>

### Notes:

(1) Includes the net funds received by the Company from the Offerings.

(2) See “*Business Objective and Milestones*”.

(3) General and administrative costs are broken down as follows: (i) wages and salaries (\$438,708), (ii) professional fees (\$50,000) and (iii) public company maintenance fees (\$50,000). Rent (\$1,034,666) is excluded as it is recorded as a current liability and is therefore reflected within working capital of the Resulting Issuer.

(4) Includes legal, accounting and regulatory fees.

The Company has a negative operating cash flow for the year ended December 31, 2018. The Company has allocated a certain percentage of the proceeds from the Offering to fund negative cash flow from its most recently completed financial year. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company 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 Company (see “*Risk Factors – the Company has negative cash flow for the year ended December 31, 2018*”).

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

### **Business Objectives and Milestones**

The Company’s primary business objectives and milestones over the next 12 months are the following:

<b>Objectives</b>	<b>Timeline</b>	<b>Expected Cost</b>
Design expanded manufacturing facility.	3 – 6 months	\$65,000
Launch new Rebel Hemp Co website with line of CBD Products	3 – 6 months	\$60,000
Recruit and implement brand ambassador team	3 – 6 months	\$50,000
Increase distribution in California cannabis dispensaries <sup>(1)</sup>	3 – 6 months	\$100,000
Secure Inventory	1 – 3 months	\$250,000

**Notes:**

(1) As of the date of this Prospectus, Hollister’s products are available for purchase in 175 cannabis dispensaries in California.

#### ***Design Expansion of Manufacturing Facility***

Hollister is currently in the design phase of expanding its Facility. The Company is utilizing a consultant to handle the design and building plans creation/submittals. The facility will be built with ISO 9001 and Good Manufacturing Practices in mind. The Company will apply for an ISO 9001 certification and then a GMP certification.

The Company plans on expanding their pre roll production space, building a commercial kitchen for edibles, creating space for a bottling lines, tincture filling, scaling up the Nanopure product line, flower processing and packing. There will be a formulation and R&D areas.

#### ***Launch Rebel Hemp Co Website and Products***

Hollister plans on entering into the hemp marketplace by designing a line of hemp CBD products that will initially consist of tinctures, gummies and a brewed hemp beverage. Hollister will contract with a manufacturer that will be able to manufacture Hollister’s products under its “Rebel Hemp Co” brand. Hollister is currently identifying and evaluating potential partners.

Rebel Hemp Co’s website is expected to be the main sales vehicle for Rebel Hemp Co.

#### ***Recruit and Implement Brand Ambassador Team***

Hollister intends to market its products to California cannabis consumers through brand activations directly inside licensed cannabis dispensaries. A brand ambassador (“BA”) will be responsible for setting up a table to display branded merchandise in connection with a product promotion. The BA will engage the public as they enter the dispensary, educate the consumers on Hollister’s products and inform them of current promotions.

Hollister is targeting six additional BA’s in California for a total of 8.

#### ***Increase Distribution in California Cannabis Dispensaries***

Hollister plans on utilizing its distributor's (Indus) sales force to grow the number of dispensaries in which Hollister products are available for purchase. Hollister intends to provide representatives with promotions and discounts to promote the opening of new accounts.

### ***Secure Inventory***

Hollister intends to contract with several California licensed cannabis cultivators to secure the raw material Hollister needs to manufacture its products. The raw materials will generally consist of trimmed sugar leaves, small buds, full flower, full spectrum crude cannabis oil and cannabis distillate.

### ***Brand Strategy and Intellectual Property***

As Hollister fully develops its Nanopure product to scale, Hollister will use Nanopure as the base ingredient for several new product initiatives, including:

- Nutraceutical mouth sprays and tinctures enhanced with synergistic ingredients like green tea extract, yerba mate, valerian root and others.
- Functional beverages, including sports and performance drinks, energy drinks, ready to drink (RTD) teas, and enhanced water.
- Nanopure water soluble powder will be manufactured by taking the nanoemulsion and spray drying technology. The spray drying technology is widely used in cosmetics and food manufacturing processing all over the world.

## **SELECTED FINANCIAL INFORMATION**

### **Hollister Biosciences**

The following table sets forth the selected financial information for the period from April 17, 2019 (date of incorporation) to August 31, 2019 has been derived from the Hollister Biosciences Financial Statements, prepared in accordance with IFRS and attached as Schedule A to this Prospectus. The selected financial information should be read in conjunction with the Hollister Biosciences MD&A and the Hollister Biosciences Financial Statements contained elsewhere in this Prospectus.

	<b>For the period from April 17, 2019 (date of incorporation) to August 31, 2019 (audited) (USD\$)</b>
<b>Statement of Operations Data</b>	
Total revenues	\$nil
Total expenses	\$310,244
Loss and comprehensive loss	\$(376,054)
Net loss per share (basic and diluted)	\$(0.01)
<b>Balance Sheet Data</b>	
Current assets	\$2,532,876
Total assets	\$3,032,876

	<b>For the period from April 17, 2019 (date of incorporation) to August 31, 2019 (audited) (USD\$)</b>
Current liabilities	\$88,609
Total liabilities	\$88,609

## Hollister

The following table sets forth the selected financial information for the year ended December 31, 2017, the year ended December 31, 2018 and the six months ended June 30, 2019 has been derived from the Hollister Financial Statements and accompanying notes thereto, prepared in accordance with IFRS and attached as Schedule C to this Prospectus. The selected financial information should be read in conjunction with the Hollister MD&A and the Hollister Financial Statements contained elsewhere in this Prospectus.

	<b>For the year ended December 31, 2017 (US\$) (audited)</b>	<b>For the year ended December 31, 2018 (US\$) (audited)</b>	<b>For the six months ended June 30, 2019 (US\$) (unaudited)</b>
<b>Statement of Operations Data</b>			
Total revenues	\$nil	\$465,317	\$428,227
Cost of sales	\$nil	\$1,069,045	\$561,569
Total expenses	\$260,801	\$369,747	\$305,773
Loss and comprehensive loss	\$(101,208)	\$(1,491,379)	\$(183,679)
Loss per share (basic and diluted)	\$(0.02)	\$(0.18)	\$(0.00)
<b>Balance Sheet Data</b>			
Current assets	\$233,103	\$331,861	\$358,429
Total assets	\$868,246	\$568,860	\$2,250,464
Current liabilities	\$268,947	\$245,588	\$1,295,929
Total liabilities	\$569,354	\$544,680	\$2,676,322

## Resulting Issuer

The following table contains certain unaudited pro forma consolidated financial information for the Company as at and for the period ended August 31, 2019 and gives effect to completion of the Transaction and the Subscription Receipt Financing as if they had occurred as of August 31, 2019. This information should be read together with the Pro Forma Financial Statements of the Company, attached as Schedule E, along with the Hollister Biosciences Financial Statements and the Hollister Financial Statements contained elsewhere in this Prospectus.

	As at August 31, 2019 (unaudited)
<b>Balance Sheet Data</b>	
Current assets	\$2,413,505
Total assets	\$4,305,540
Current liabilities	\$1,384,538
Total liabilities	\$2,764,931
Deficit	\$(3,176,785)

The Company has not, since its inception, declared or paid any dividends on its Common Shares. The declaration of dividends on our Common Shares is within the discretion of the Board and will depend on the assessment of, among other factors, capital requirements, earnings, and the operating and financial condition of the Company. At the present time, the Company's anticipated capital requirements are such that the Company follows a policy of retaining all available funds and any future earnings in order to finance Company technology advancement, business development and corporate growth. The Company does not intend to declare or pay cash dividends on its Common Shares within the foreseeable future. See "*Risk Factors*".

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Hollister Biosciences

The Management's Discussion and Analysis for Hollister Biosciences is attached to this Prospectus as Schedule B. Hollister Biosciences' MD&A provides an analysis of Hollister Biosciences' financial results for the period from April 17, 2019 (date of incorporation) to August 31, 2019 which should be read in conjunction with the financial statements of Hollister Biosciences for the corresponding period, and the notes thereto respectively.

Certain information included in Hollister Biosciences' Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Caution Regarding Forward-Looking Statements*" for further details.

### Hollister

The Management's Discussion and Analysis for Hollister is attached to this Prospectus as Schedule D. The Company's MD&A provides an analysis of Hollister's financial results for the period from the date of incorporation on January 13, 2017 (date of incorporation) to December 31, 2017, the year ended December 31, 2018 and the six months ended June 30, 2019, which should be read in conjunction with the financial statements of Hollister for the corresponding period, and the notes thereto respectively.

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

## DESCRIPTION OF SHARE CAPITAL

### **Hollister Biosciences**

Hollister Biosciences is authorized to issue an unlimited number of Common Shares without par value. As of the date of this Prospectus, there were 163,165,998 Common Shares issued and outstanding as fully paid and non-assessable common shares.

### **Common Shares**

Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of Hollister Biosciences, and each Common Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Board. The holders of Common Shares, subject to the prior rights, if any, of any other class of shares of Hollister Biosciences with special rights as to dividends, are entitled to receive such dividends in any financial year as the Board may determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Hollister Biosciences, the remaining property and assets of Hollister Biosciences. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

### **Hollister**

Hollister is authorized to issue an unlimited number of Membership Interests, an unlimited number Common Units, an unlimited number of Class A Preferred Units and 3,333,333 Class B Preferred Units. As of the date of this Prospectus, there are 20 Membership Interests and 2,222,222 Class A Units issued and outstanding. There are no Common Units or Class B Preferred Units issued and outstanding.

### ***Membership Interests***

The holders of Hollister Membership Interests are entitled to receive notice of and to attend and vote at all meetings of Hollister Members and each Hollister Membership Interest confers the right to one vote in person or by proxy at all meetings of Hollister Members. The holders of the Hollister Membership Interests are entitled to receive *pari passu* with the holders of Hollister Common Units, Class A Units, and Class B Units, such dividends in any financial year as Hollister's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of Hollister, whether voluntary or involuntary, holders of Hollister Membership Interests are entitled to share rateably, together with holders of Hollister Common Units, Class A Units, and Class B Units, in such assets of Hollister as are available for distribution.

### ***Common Units***

The holders of Hollister Common Units are entitled to receive notice of and to attend and vote at all meetings of Hollister Members and each Hollister Common Unit confers the right to one vote in person or by proxy at all meetings of Hollister Members. The holders of the Hollister Common Units are entitled to receive *pari passu* with the holders of Hollister Membership Interests, Class A Units, and Class B Units, such dividends in any financial year as Hollister's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of Hollister, whether voluntary or involuntary, holders of Hollister Common Units are entitled to share rateably, together with holders of Hollister Membership Interests, Class A Units, and Class B Units, in such assets of Hollister as are available for distribution.

### ***Class A Units***

The holders of Hollister Class A Units are entitled to receive notice of and to attend and vote at all meetings of Hollister Members and each Hollister Class A Unit confers the right to one vote in person or by proxy at all meetings of Hollister Members. The holders of the Hollister Class A Units are entitled to receive *pari passu* with the holders of Hollister Membership Interests, Common Units, and Class B Units, such dividends in any financial year as Hollister's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of Hollister, whether voluntary

or involuntary, holders of Hollister Class A Units are entitled to share rateably, together with holders of Hollister Membership Interests, Common Units, and Class B Units, in such assets of Hollister as are available for distribution.

### ***Class B Units***

The holders of the Hollister Class B Shares are not entitled to receive notice of and to attend all meetings of Hollister Members. Hollister Class B Shares have no voting rights. Hollister Class B Unit holders are entitled to receive pari passu with the holders of Hollister Membership Interests, Common Units, and Class A Units dividends as and when declared by the board. In the event of the liquidation, dissolution or winding-up of Hollister, whether voluntary or involuntary, holders of Hollister Class B Shares are entitled to share rateably, together with holders of Hollister Membership Interests, Common Units, and Class A Units, in such assets of Hollister as are available for distribution.

### **Resulting Issuer**

On closing of the Transaction, the Resulting Issuer has the same share capital structure as Hollister Biosciences (see above “*Description of Share Capital – Hollister Biosciences*”).

## **CONSOLIDATED CAPITALIZATION**

The following table sets forth the Resulting Issuer’s capitalization after giving effect to the Offerings and the Transaction.

This table should be read in conjunction with the financial statements and notes thereto included elsewhere in this Prospectus.

<b>Description of the Security</b>	<b>Securities Authorized</b>	<b>As at the date of this Prospectus</b>	<b>After giving effect to the Offerings and the Transaction<sup>(1)</sup></b>
Common Shares	Unlimited	163,165,998	163,165,998

**Note:**

- (1) On a pre-Consolidation basis. All issued and outstanding Common Shares will be consolidated on a 1.5:1 basis prior to Listing.

### ***Fully Diluted Share Capital***

The following table sets out the anticipated fully diluted share capital of the Resulting Issuer after giving effect to the Transaction:

<b>Shares to be Issued</b>	<b>Number of Securities as at the date of this Prospectus<sup>(1)</sup></b>	<b>% of total issued and outstanding</b>
Common Shares issued as at October 31, 2019	48,600,000 <sup>(2)</sup>	29.79%
Common Shares issued on closing of the Transaction	51,420,000 <sup>(3)</sup>	31.51%
Common Shares issued on conversion of outstanding \$0.05 Special Warrants	375,000	0.23%
Common Shares issued on conversion of outstanding \$0.07 Special Warrants	61,570,998	37.74%

Shares to be Issued	Number of Securities as at the date of this Prospectus <sup>(1)</sup>	% of total issued and outstanding
Finder's Shares issued on closing of the Transaction	1,200,000	0.74%
<b>Total Resulting Issuer Shares</b>	<b>163,165,998</b>	<b>100%</b>
Common Shares to be issued on exercise of Finder's Warrants	4,309,969	2.40%
Common Shares to be issued on exercise of Hollister Options	11,900,000	6.63%
<b>Total Resulting Issuer Shares reserved for issuance</b>	<b>16,209,969</b>	<b>9.04%</b>
<b>Fully diluted securities</b>	<b>179,375,967</b>	

**Notes:**

- (1) On a pre-Consolidation basis. All issued and outstanding Common Shares and convertible securities will be consolidated on a 1.5:1 basis prior to Listing.
- (2) For further details see "*Prior sales*".
- (3) Excludes 8,580,000 Common Shares issued to the Company in connection with closing of the Transaction which were subsequently cancelled. For further details see "*Corporate Structure – Acquisition of Hollister*".

## OPTIONS TO PURCHASE SECURITIES

### Hollister Biosciences

Hollister Biosciences currently does not have any options outstanding nor does it have an option plan.

### Hollister

Hollister currently does not have any options outstanding nor does it have an option plan.

### Resulting Issuer

The Resulting Issuer intends to adopt a rolling stock option plan (the "**Option Plan**"), which provides for a total of 10% of the issued and outstanding Common Shares of the Resulting Issuer available for issuance thereunder.

The purpose of the Option Plan is to allow the Resulting Issuer to grant stock options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Resulting Issuer. The granting of such Options is intended to align the interests of such persons with that of the Resulting Issuer's shareholders.

The tables below summarize information about the options expected to be issued prior to Listing (on a pre-Consolidation basis):

	Shares under Option <sup>(1)</sup>	Exercise Price <sup>(1)</sup>	Expiry Date
Executive Officers <sup>(2)</sup>	6,250,000	\$0.07	5 years from Listing
Directors <sup>(3)</sup>	1,000,000	\$0.07	5 years from Listing



	Shares under Option <sup>(1)</sup>	Exercise Price <sup>(1)</sup>	Expiry Date
Employees	Nil	N/A	N/A
Consultants	4,650,000	\$0.07	5 years from Listing

Notes:

- (1) On a pre-Consolidation basis. All Common Shares and convertible securities will be consolidated on a 1.5:1 basis prior to Listing. The exercise price of all options to be granted at Listing will be \$0.105 post-Consolidation.
- (2) Consists of Carl Saling, Geoffrey Balderson and Amasa Lacy.
- (3) Consists of Anthony Zelen and Alexander Somjen.

### ***Terms of the Plan***

The full text of the Option Plan is available upon written request made directly to the Resulting Issuer at its registered office located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia.

### **Administration**

The Option Plan shall be administered by the Board, a special committee of the Board (the “**Committee**”) or by an administrator appointed by the Board or the Committee (the “**Administrator**”) either of which will have full and final authority with respect to the granting of all Options thereunder. Options may be granted under the Option Plan to such directors, officers, employees or consultants of the Resulting Issuer, as the Board, the Committee or the Administrator may from time to time designate.

### **Number of Common Shares Reserved**

Subject to adjustment as provided for in the Option Plan, the aggregate number of Common Shares which will be available for purchase pursuant to Options granted under the Option Plan will not exceed 10% of the number of Common Shares which are issued and outstanding on the particular date of grant. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Option Plan.

### **Exercise Price**

The exercise price at which a Option holder may purchase a Common Share upon the exercise of a Option shall be determined by the Committee and shall be set out in the Option Certificate issued in respect of the Option. The exercise price shall not be less than the price determined in accordance with CSE policies while, and if, the Company’s Common Shares are listed on the CSE.

### **Maximum Term of Options**

The term of any Option granted under the Option Plan (the “**Term**”) shall be determined by the Board, the Committee or the Administrator, as applicable, at the time the Option is granted but, subject to earlier termination in the event of termination, or in the event of death or disability of the Option holder. In the event of death or disability, the Option shall expire on the earlier of the date which is six months following the date of disability or death and the applicable expiry date of the Option. Options granted under the Option Plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

### **Termination**

Subject to such other terms or conditions that may be attached to Options granted under the Option Plan, an Option holder may exercise a Option in whole or in part at any time and from time to time during the Term. Any Option or part thereof not exercised within the Term shall terminate and become null, void and of no effect as of the date of expiry of the Option. The expiry date of a Option shall be the date so fixed by the Committee at the time the Option is granted as set out in the Option Certificate or, if no such date is set out in for the Option Certificate the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or in the event of death or disability

(as discussed above under “Maximum Term of Options”) or in the event of certain triggering events occurring, as provided for under the Option Plan:

- (a) *Ceasing to Hold Office* - In the event that the Option holder holds his or her Option as an executive and such Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Option shall be, unless otherwise expressly provided for in the Option certificate, the 90th day following the date the Option holder ceases to hold such position unless the Option holder ceases to hold such position as a result of:
  - (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Resulting Issuer;
  - (ii) a special resolution having been passed by the shareholders of the Resulting Issuer removing the Option holder as a director of the Resulting Issuer or any subsidiary; or
  - (iii) an order made by any regulatory authority having jurisdiction to so order;
 in which case the expiry date shall be the date the Option holder ceases to hold such position; or
- (b) *Ceasing to be Employed or Engaged* - In the event that the Option holder holds his or her Option as an employee or consultant, other than a Option holder who is engaged in investor relations activities, and such Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Option shall be, unless otherwise expressly provided for in the Option certificate, the 90th day following the date the Option holder ceases to hold such position, or, in the case of a Option holder that is engaged in investor relations activities, the 30th day after the date such Option holder ceases to hold such position, unless the Option holder ceases to hold such position as a result of:
  - (i) termination for cause;
  - (ii) resigning or terminating his or her position; or
  - (iii) an order made by any regulatory authority having jurisdiction to so order;
 in which case the expiry date shall be the date the Option holder ceases to hold such position.

In the event that the Option holder ceases to hold the position of executive, employee or consultant for which the Option was originally granted, but comes to hold a different position as an executive, employee or consultant prior to the expiry of the Option, the Committee, the Board or the Administrator, as applicable, may, in its sole discretion, choose to permit the Option to stay in place for that Option holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder. Notwithstanding anything else contained in the Option Plan, in no case will an Option be exercisable later than the expiry date of the Option.

## PRIOR SALES

### Hollister Biosciences

This table sets out particulars of the Common Shares that have been issued or sold within the 12 months prior to the date of this Prospectus.

Date of Issuance	Security Type	Number of Securities <sup>(1)(2)(3)</sup>	Issue/Exercise Price
April 17, 2019	Common Shares	1 <sup>(1)</sup>	\$0.01
April 26, 2019	Common Shares	32,000,000	\$0.005

June 6, 2019	Common Shares	8,600,000 <sup>(2)</sup>	\$0.005
June 14, 2019	Common Shares	8,000,000	\$0.02

**Notes:**

- (1) Incorporator's share was issued and subsequently repurchased on August 28, 2019.
- (2) The Company issued an aggregate of 8,600,000 Common Shares at a deemed price of \$0.005 per share in connection with the satisfaction of \$43,000 of debt owing to certain creditors.
- (3) All Common Shares will be consolidated on a 1.5:1 basis prior to Listing.

This table sets out particulars of the Hollister Biosciences securities exercisable for or exchangeable into Common Shares issued within the 12 months prior to the date of this Prospectus.

Date of Issuance	Security Type	Number of Securities	Issue/Exercise Price
July 8, 2019	Special Warrants	375,000 <sup>(1)(2)</sup>	\$0.05
July 11, 2019	Special Warrants	61,570,998 <sup>(2)(3)</sup>	\$0.07

**Notes:**

- (1) Issued in connection with the \$0.05 Special Warrant Offering and deemed to be exercised into 375,000 Common Shares on November 9, 2019.
- (2) Issued in connection with the \$0.07 Special Warrant Offering and deemed to be exercised into 61,570,998 Common Shares on November 12, 2019.
- (3) All Common Shares and convertible securities will be consolidated on a 1.5:1 basis prior to Listing.

**Hollister**

This table sets out particulars of the Hollister Membership Interests that have been issued or sold within the 12 months prior to the date of this Prospectus.

Date of Issuance	Security Type	Number of Securities <sup>(1)</sup>	Issue/Exercise Price
July 9, 2019	Membership Interest	53,078,333 Common Units	See note 2.
April 17, 2019	Membership Interest	270,000 Common Units	US\$50,000.00
March 22, 2019	Membership Interest	180,000 Common Units	US\$33,333.33
March 20, 2019	Membership Interest	180,000 Common Units	US\$33,333.33
February 20, 2019	Membership Interest	180,000 Common Units	US\$33,333.33

**Notes:**

- (1) Hollister completed financings of an aggregate of 810,000 Common Units to friends and family for total gross proceeds of US\$150,000, which represents 1.35% of the outstanding Hollister Membership Interests.
- (2) Hollister completed a restructuring of its members equity such that 2,222,222 class A preferred units and 1,055,556 class B preferred units were exchanged for 53,078,333 common units for no additional consideration and/or proceeds to Hollister.

Hollister has not issued with the 12 months prior to the date of this Prospectus any securities exercisable for or exchangeable into Hollister Membership Interests.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

### Escrow Agreements

Following completion of the Listing, 44,221,800 pre-Consolidation Common Shares are expected to be held in escrow (the “**Escrow Shares**”).

The Escrow Shares are expected to be held in escrow pursuant to an escrow agreement entered into on closing of the Transaction among the Resulting Issuer, the Transfer Agent and certain shareholders pursuant to which the Escrow Shares will be held in escrow (the “**Escrow Agreement**”). The Escrow Shares are held in escrow as required by National Policy 46-201 – *Escrow for Initial Public Offerings* (“**NP 46-201**”) and CSE policy on completion of the listing of the Common Shares on the CSE.

The Escrow Shares are expected to be subject to the release schedule specified in NP 46-201 for emerging issuers and as set out in the form of escrow required by Policy 2 – *Qualifications for Listing of the CSE*. Ten (10%) percent of the Escrow Shares are expected to be released upon the date of listing on the CSE and an additional 15% are expected to be released every 6 months thereafter until all Escrow Shares have been released (36 months following the date of listing on the CSE).

Name	Designation of Class	Securities held in Escrow <sup>(1)(2)</sup>	Percentage of Class <sup>(3)</sup>
Carl Saling <sup>(3)</sup>	Common Shares	44,221,800	27.10%

**Notes:**

- (1) It is anticipated that the escrow agent under the escrow agreement will be the Transfer Agent.
- (2) On a pre-Consolidation basis. All Common Shares will be consolidated on a 1.5:1 basis prior to Listing
- (3) Based on 163,165,998 issued and outstanding Common Shares.

### Voluntary Escrow

The Transaction Shares issued to the Hollister Members in connection with the Transaction are subject to further restrictions whereby the Transaction Shares are to be released over a period of 16 months from the Listing with 25% being released four months from Listing, an additional 25% released eight months from Listing, an additional 25% released twelve months from Listing and the remaining 25% released sixteen months after Listing.

32,000,000 pre-Consolidation Shares issued at a price of \$0.005 per Share on April 26, 2019 and 8,000,000 pre-Consolidation Shares issued at a price of \$0.02 per Share on June 14, 2019 are subject to voluntary restrictions whereby the Shares are to be released over a period of 4 months from the Listing with 33 1/3% not being subject to any additional hold periods, 33 1/3% released two months from Listing and an additional 33 1/3% released four months from Listing.

## PRINCIPAL SHAREHOLDERS

The following tables shows the name and information about our voting securities owned by each person or company who, as at the date of the Prospectus, owned of record, or who, to our knowledge, owned beneficially, director or indirectly, 10% or more of any class of series of our voting securities:

Name	Number and type of securities <sup>(1)</sup>	Type of Ownership	Percentage of Class <sup>(1)</sup>
Carl Saling	44,221,800 Common Shares	Beneficial and of record	27.10%

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**Note:**

- (1) On a pre-Consolidation basis. All Common Shares will be consolidated on a 1.5:1 basis prior to Listing
- (2) Based on 163,165,998 issued and outstanding Common Shares.

## EXECUTIVE OFFICERS AND DIRECTORS

The following table sets out the name, jurisdiction of residence of the Resulting Issuer's directors and executive officers as well as their positions with the Resulting Issuer and principal occupation for the previous five years, and the number and percentage of the Common Shares owned, directly or indirectly, or over which control or direction is exercised, by each of our directors and executive officers. All officers and employees are required to sign standard confidentiality and non-disclosure agreements with the Resulting Issuer.

<b>Name and Municipality of Residence<sup>(1)</sup></b>	<b>Position to be held with the Resulting Issuer<sup>(2)</sup></b>	<b>Principal Occupation for the Past Five Years<sup>(3)</sup></b>	<b>Number of Common Shares<sup>(4)</sup></b>	<b>Percentage of class<sup>(5)</sup></b>
Carl Saling <sup>(6)</sup> , Hollister, CA	President, CEO and Director	Founder and CEO of Hollister since January 2017 and entrepreneur	44,221,800 <sup>(7)</sup>	27.10%
Geoffrey Balderson, Vancouver, BC	CFO and Corporate Secretary	President of Harmony Corporate Services Ltd.	Nil <sup>(4) (8)</sup>	0%
Amasa Lacy, Hollister, CA	Vice President of Production and Director	Officer of Hollister since January 2017 and Real Estate Broker in California	Nil <sup>(9)</sup>	0%
Alexander Somjen <sup>(6)</sup> , Toronto, ON	Director	President and CEO of Resinco Capital Partners since June 2018; VP of Dejardins Capital Markets from January 2015 to May 2018	800,000 <sup>(10)</sup>	0.49%
Anthony Zelen <sup>(6)</sup> , Kelowna, BC	Director	Founder and President of Zelen Consulting Inc. since 1997	Nil <sup>(11)</sup>	0%

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**Notes:**

- (1) Information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this Prospectus.
- (2) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting or upon resignation. The term of office of the officers expires at the discretion of the directors.
- (3) See "*Management and Key Personnel*" for additional information regarding the principal occupations of the Resulting Issuer's directors and officers.
- (4) On a pre-Consolidation basis. All Common Shares and convertible securities will be consolidated on a 1.5:1 basis prior to Listing
- (5) Based on 163,165,998 issued and outstanding Common Shares (pre-Consolidation).
- (6) Member of the Audit Committee.
- (7) In addition, Mr. Saling will be granted 3,000,000 options exercisable to acquire up to 3,000,000 Common Shares at a price of \$0.07 per share on a pre-Consolidation basis (2,000,000 options exercisable to acquire up to 2,000,000 Common Shares at a price of \$0.105 per share on a post-Consolidation basis).
- (8) Mr. Balderson will be granted 250,000 options exercisable to acquire up to 250,000 Common Shares at a price of \$0.07 per share on a pre-Consolidation basis (166,666 options exercisable to acquire up to 166,666 Common Shares at a price of \$0.105 per share on a post-Consolidation basis).

- (9) Mrs. Lacy will be granted 3,000,000 options exercisable to acquire up to 3,000,000 Common Shares at a price of \$0.07 per share on a pre-Consolidation basis (2,000,000 options exercisable to acquire up to 2,000,000 Common Shares at a price of \$0.105 per share on a post-Consolidation basis).
- (10) In addition, Mr. Somjen will be granted 500,000 options exercisable to acquire up to 500,000 Common Shares at a price of \$0.07 per share on a pre-Consolidation basis (333,333 options exercisable to acquire up to 333,333 Common Shares at a price of \$0.105 per share on a post-Consolidation basis).
- (11) Mr. Zelen will be granted 500,000 options exercisable to acquire up to 500,000 Common Shares at a price of \$0.07 per share on a pre-Consolidation basis (333,333 options exercisable to acquire up to 333,333 Common Shares at a price of \$0.105 per share on a post-Consolidation basis).

### ***Biographies***

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

#### ***Carl Saling (Age 50) – CEO and Director***

Mr. Saling formed Hollister in 2017 and moved to the central coast of California to work on regulations and licensing in the city of Hollister, California. Mr. Saling successfully negotiated a lease for a 37,000 square foot building in the approved cannabis zone and applied for manufacturing, cultivation and distributions licenses with both the city of Hollister and the state of California. Hollister was the first licensed and active cannabis company in the city of Hollister, CA.

A successful entrepreneur since the age of 16, Mr. Saling has been the founder, CEO and President of multiple companies in diverse industries including food, direct sales, telecommunications and cannabis.

For example, in 1994 Mr. Saling had the foresight to see that prepaid telecommunications were going to be a large subset of the telecom industry. Starting with 20 pre-paid calling card vending machines, Mr. Saling built this business into TWC Direct and by 1999 the company had 50 employees and over US\$6,000,000 in sales. In December, 1999 Mr. Saling successfully negotiated the sale of TWC Direct to Clariti Telecommunication International, a publicly traded company, for close to US\$8,000,000. The resulting company was named Clariti Telecom, where Mr. Saling remained as the President & CEO from 2000 to 2002.

In 2002, Carl formed Emergent Telecom which capitalized on the technology side of the prepaid telecommunications business by creating an online pre-paid telecom retail website that allowed people to purchase prepaid wireless and calling cards with instant pin delivery. In 2006, Carl saw that prepaid telecom as an industry was dramatically changing and recognized the upcoming shift to online digital marketing. As a result, Mr. Saling started 'The Internet Titans' to help companies generate new and repeat business by utilizing the latest technologies in online marketing with a focus on building online reviews and reputation.

Mr. Saling started 420Delivery.Club in 2014 in San Diego, CA under then current Prop 215 and SB 420 rules that California had in place for cannabis which provided Mr. Saling early experience in the emerging cannabis industry.

At the completion of the Transaction, Mr. Saling will become an employee of the Resulting Issuer and will enter into a non-competition or confidentiality agreement with the Resulting Issuer. It is expected that he will devote 100% of his time to the business of the Resulting Issuer to effectively fulfill his duties as the President, CEO, and Director of the Resulting Issuer.

#### ***Geoffrey Balderson (Age 41) – CFO and Corporate Secretary***

Mr. Balderson is the President of Harmony Corporate Services Ltd., a company that provides corporate, secretarial, bookkeeping, accounting and filing services to public companies or companies that are working on going public. In addition, Mr. Balderson is the President of Flow Capital Corp. a private business consulting company providing consulting services to public companies. Mr. Balderson has been an officer and director of several TSX Venture Exchange listed companies over the past 12 years. Prior to that he was an investment advisor at Union Securities and Georgia Pacific Securities Corp.



At the completion of the Transaction, Mr. Balderson will become an employee of the Resulting Issuer and will enter into a non-competition or confidentiality agreement with the Resulting Issuer. It is expected that he will devote 10% of his time to the business of the Resulting Issuer to effectively fulfill his duties as the CFO of the Resulting Issuer.

***Amasa Lacy (Age 47) – Vice President of Production and Director***

Amasa Lacy has served as an officer and director of Hollister since its inception. She is responsible for overseeing production in all departments and for monitoring/managing compliance, scheduling and human resources. Mrs. Lacy has assisted in developing product production and development processes. She trained Hollister's employees, developed work order systems to track productivity, written and implemented SOPs and helped transition Hollister processes into METRC.

Mrs. Lacy previously worked at Pacific Sotheby's International Realty as a Sales Associate and holds a California Real Estate Brokers License. She holds a Bachelor of Arts in English Literature and a Bachelor of Arts in Film and Television Production from Montana State University. Mrs. Lacy has also taken several courses, including: a U.S. Army Basic Leader Course, U.S. Army Airborne School, U.S. Army Psychological Operations Military Occupational Specialty Course and Statistics and Business Courses at Wake Forest University.

At the completion of the Transaction, Mrs. Lacy will become an employee of the Resulting Issuer and will enter into a non-competition or confidentiality agreement with the Resulting Issuer. It is expected that she will devote 100% of her time to the business of the Resulting Issuer to effectively fulfill his duties as the Vice President of Production of the Resulting Issuer.

***Alexander Somjen (Age 32) – Director***

Mr. Somjen has extensive experience serving as an officer and director of publicly listed and privately held companies. Most recently, Alex served as President and CEO of Resinco Capital Partners, a publicly traded global investment company with a sector focus on cannabis pharmaceutical opportunities. Prior to that he spent over a decade in capital markets at Desjardins Capital Markets, working in both investment banking and sales and trading related capacities, most recently serving as Vice President in the Capital Structure Products Group. In these roles, Mr. Somjen forged deep relationships with large institutional investors and major corporations and has worked on many notable debt capital and equity capital issuances. During his career, Mr. Somjen pivoted away from capital markets for a time to found and serve as Chief Financial Officer of an artificial intelligence related tech concern. Mr. Somjen began his career as a preferred share sales trader servicing institutional investors. He holds a B.A. in economics from the University of Toronto as well as the Chartered Investment Manager (CIM) and Fellow of the Canadian Securities Institute (FCSI) designations.

At the completion of the Transaction, Mr. Somjen will not be a party to any employment, non-competition or confidentiality agreement with the Resulting Issuer. It is expected that Mr. Somjen will devote approximately 10% of his time to the business of the Resulting Issuer to effectively fulfill his duties as the Director of the Resulting Issuer.

***Anthony Zelen (Age 47) – Director***

Mr. Zelen has over 21 years of experience in finance, investor relations, and corporate development. He is the founder of and serves as the President of Zelen Consulting Inc. a wholly-owned private company involved in investor relations, public relations and strategic marketing for the technology, cannabis, pharmaceutical, mining and oil and gas industries. Mr. Zelen has served as officer and director of at least 12 publically listed companies over the last 21 years. His business activities within the venture capital arena enabled him to establish a network of accredited investors, angel investors and investment banking contacts throughout North America, Western Europe and Asia.

At the completion of the Transaction, Mr. Zelen will not be a party to any employment, non-competition or confidentiality agreement with the Resulting Issuer. It is expected that Mr. Zelen will devote approximately 10% of his time to the business of the Resulting Issuer to effectively fulfill his duties as the Director of the Resulting Issuer.

### **Share Ownership by Directors and Officers**

At the completion of the Transaction, the Resulting Issuer's directors and officers as a group, will beneficially own, directly and indirectly, or exercise control or direction over, 45,021,800 Common Shares, representing approximately 27.59% of the issued and outstanding Common Shares.

### **Corporate Cease Trade Orders or Bankruptcies**

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

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

Geoffrey Balderson, a proposed director of the Resulting Issuer, was (from August 2014 to May 2017) the President and CEO, and was (from July 2007 to present) a director of Argentum Silver Corp. ("**Argentum**"), a company publicly trading on the TSX Venture Exchange. A management cease trade order was issued on November 2, 2015 for failure to file its annual financial statements in the required time. Argentum's annual financial statements were subsequently and the British Columbia Securities Commission issued a revocation order on December 16, 2015. In addition, a management cease trade order was issued on November 3, 2016 for failure to file its annual financial statements in the required time. Argentum's annual financial statements were subsequently and the British Columbia Securities Commission issued a revocation order on December 5, 2016.

### **Penalties or Sanctions**

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

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

### **Personal Bankruptcies**

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

### **Conflicts of Interest**

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



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

The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA or CBCA, as applicable, or other applicable corporate legislation, securities law, regulations and policies. See "*Risk Factors*".

## EXECUTIVE COMPENSATION

Prior to obtaining a receipt for this Prospectus from securities regulatory authority in British Columbia, neither Hollister Biosciences, Hollister nor the Resulting Issuer were a reporting issuer in any jurisdiction. As a result, certain information required by Form 51-102F6 – *Statement of Executive Compensation* ("**Form 51-102F6**") has been omitted pursuant to Section 1.3(8) of Form 51-102F6.

### Compensation of Named Executive Officers

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer of the Company. "Named Executive Officer" is defined by securities legislation to mean: (i) the CEO; (ii) the CFO; (iii) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually more than \$150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under paragraph (iii) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in similar capacity, at the end of the most recently completed financial year. At the completion of the Transaction, the Company will have the following Named Executive Officers (collectively, the "**Named Executive Officers**" or "**NEOs**"):

- Carl Saling, President, CEO and Director of the Resulting Issuer;
- Geoffrey Balderson, CFO and Corporate Secretary of the Resulting Issuer; and
- Amasa Lacy, Vice President of Production and Director of the Resulting Issuer.

### Director and Named Executive Officer Compensation, Excluding Compensation Securities

The Company was not a reporting issuer at any time during its most recently completed financial year. Accordingly, the following table sets forth information with respect to the anticipated compensation of each Named Executive Officer and director of Hollister Biosciences for the 12-month period subsequent to becoming a reporting issuer:

### Table of Compensation Excluding Compensation Securities

Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Long-term incentive plans (\$)	Value of all other compensation (\$)	Total compensation (\$)
Carl Saling, CEO and Director	2019	US\$125,000	-	-	-	-	-	US\$125,000
Geoffrey Balderson, CFO	2019	\$30,000	-	-	-	-	-	\$30,000
Amasa Lacy, Vice President and Director	2019	US\$125,000	-	-	-	-	-	US\$125,000

The anticipated compensation set out above is based on current conditions in the industry and on the associated approximate allocation of time for each NEO and director, and is subject to adjustments based on changing market conditions and corresponding changes to required time commitments. Following the listing of the Common Shares on the Exchange, the Company will review its compensation policies and may adjust them if warranted by factors such as market conditions.

### Stock Options and Other Compensation Securities

The Company was not a reporting issuer at any time during its most recently completed financial year. The following table discloses all anticipated compensation securities the Company expects to grant or issue to each Named Executive Officer and director once the Company becomes a reporting issuer:

#### Compensation Securities

Name and Position	Type of compensation security	Number of compensation securities and percentage of class <sup>(1)(2)</sup>	Date of issue or grant	Issue conversion of exercise price <sup>(3)</sup>	Expiry Date
Carl Saling, CEO and Director	Options	3,000,000 (25.21%)	Listing	\$0.07	5 years from Listing
Amasa Lacy, Vice President and Director	Options	3,000,000 (25.21%)	Listing	\$0.07	5 years from Listing
Geoffrey Balderson, CFO	Options	250,000 (2.10%)	Listing	\$0.07	5 years from Listing
Anthony Zelen, Director	Options	500,000 (4.2%)	Listing	\$0.07	5 years from Listing
Alexander Somjen, Director	Options	500,000 (4.20%)	Listing	\$0.07	5 years from Listing

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**Notes:**

- (1) On a pre-Consolidation basis. All Common Shares and convertible securities will be consolidated on a 1.5:1 basis prior to Listing.
- (2) Based on 11,900,000 pre-Consolidation options expected to be granted at Listing (7,933,333 post-Consolidation).
- (3) The exercise price post-Consolidation will be \$0.105.

**Stock Option Plans and Other Incentive Plans**

See “*Options to Purchase Securities*”.

**Employment, Consulting and Management Agreements**

On closing of the Transaction, or shortly thereafter, the Resulting Issuer will enter into employment agreements with the following executives on the following terms:

- (i) Employment agreement between the Resulting Issuer and Carl Saling as the CEO of the Resulting Issuer for an initial three-year term with yearly base salary of US\$125,000 (2020), US\$150,000 (2021) and \$200,000 (2022), respectively. Mr. Saling will be eligible for a bonus to be determined by the board and will be eligible to participate in the Option Plan;
- (ii) Employment agreement between the Resulting Issuer and Amasa Lacy as the VP - Production of the Resulting Issuer for an initial three-year term with yearly base salary of US\$125,000 (2020), US\$137,500 (2021) and \$151,250 (2022), respectively. Ms. Lacy will be eligible for a bonus to be determined by the board and will be eligible to participate in the Option Plan. Ms. Lacy will be eligible for one-month severance in the event of termination without cause or upon a change of control; and
- (iii) Employment agreement between the Resulting Issuer and Geoffrey Balderson as the CFO of the Resulting Issuer for an initial one-year term with yearly base salary of \$30,000. Mr. Balderson will be eligible for a bonus to be determined by the board and will be eligible to participate in the Option Plan.

See “*Stock Options and other Compensation Securities*” above.

**Oversight and Description of Director and Named Executive Officer Compensation**

The Company does not have a compensation committee or a formal compensation policy. The Company relies solely on the directors to determine the compensation of the Named Executive Officers. In determining compensation, the directors consider industry standards and the Company’s financial situation, but the Company does not have any formal objectives or criteria. The performance of each executive officer is informally monitored by the directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer.

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

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

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

The Board did not use any formal peer group evaluation to determine executive compensation.

## **DIRECTOR COMPENSATION**

As of the date hereof, no compensation has been paid to directors.

The Company contemplates that each independent director, if any, will be entitled to participate in any security based compensation arrangement or other plan adopted by the Resulting Issuer with the approval of the Board and/or the Resulting Issuer's shareholders, as may be required by applicable law or CSE policies.

### **Directors' and Officers' Liability Insurance**

The Company does not carry directors' and officers' liability insurance for any of our directors or officers. We anticipate obtaining directors' and officers' liability insurance prior to becoming a reporting issuer.

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

As at the date of this Prospectus none of the directors and executive officers of Hollister Biosciences or Hollister, proposed directors and officers for the Resulting Issuer, or associates of such persons is indebted to Hollister Biosciences, Hollister or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Hollister Biosciences or Hollister.

## **PLAN OF DISTRIBUTION**

This is a non-offering prospectus. No securities are offered pursuant to this Prospectus.

The Exchange has conditionally accepted the listing of the Company's Common Shares. The listing of the Common Shares will be subject to the Company fulfilling all of the listing requirements of the Exchange, which cannot be guaranteed.

As at the date of this Prospectus, Hollister Biosciences and Hollister do not have any of their securities listed or quoted, have not applied to list or quote any of its securities, and do not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States.

## **AUDIT COMMITTEE**

### **Audit Committee**

Upon the Company becoming a reporting issuer in a jurisdiction in Canada, the Company will form the audit committee (the "**Audit Committee**"). The Audit Committee will be comprised as follows:

<b>Member</b>	<b>Independence</b>	<b>Financially Literacy</b>
Alexander Somjen	Independent <sup>(1)</sup>	Financially Literate

Member	Independence	Financially Literacy
Anthony Zelen	Independent <sup>(1)</sup>	Financially Literate
Carl Saling	Non-Independent <sup>(1) (2)</sup>	Financially Literate

**Notes:**

- (1) Within the meaning of National Instrument 52-110 – Audit Committees (“**NI 51-110**”).  
(2) Carl Saling is the CEO of the Resulting Issuer and therefore he is considered under NI 52-110 to be non-independent.

A description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as an Audit Committee member may be found above under the heading “*Executive Officers and Directors*”.

### **Audit Committee’s Charter**

The full text of the Audit Committee’s charter is attached as Schedule F to this Prospectus.

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

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

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

### **Audit Committee Oversight**

On April 17, 2019 the sole shareholder of Hollister Biosciences elected to waive the appointment of an auditor pursuant to section 203(2) of the BCBCA. Under section 223 of the BCBCA, Hollister Biosciences has not appointed an audit committee at this time.

The Resulting Issuer intends to ensure that all recommendations of the Audit Committee of the Resulting Issuer to nominate or compensate an external auditor will be adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since Hollister’s the date of formation on January 13, 2017 or since Hollister Biosciences’ date of incorporation on April 17, 2019 has either company relied on the exemption in section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. It is not anticipated that the Resulting Issuer will rely on any of the above exemptions.

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

The audit committees of Hollister (or Hollister Biosciences) have not adopted specific policies and procedures for the engagement of non-audit services but all such services are subject to the prior approval of their respective audit

committees. It is not anticipated that the Resulting Issuer will adopt specific policies and procedures for the Audit Committee.

### External Auditor Service Fees by Category

The aggregate audit fees incurred by Hollister Biosciences from its date of incorporation to August 31, 2019 and by Hollister for the period ended June 30, 2019 are set out in the table below. Following closing of the Transaction, the Resulting issuer intends to use Hollister’s auditor Davidson & Company LLP (see “*Auditors, Transfer Agent and Registrars*”).

Entity	Financial Year Ended	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
Hollister Biosciences <sup>(5)</sup>	Incorporation to August, 2019	\$6,500	\$0	\$0	\$0
Hollister <sup>(6)</sup>	June 30, 2019	\$43,500	\$0	\$0	\$0
<b>Total</b>		<b>\$50,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

#### Notes:

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

## CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. The Board is of the view that the Company’s general approach to corporate governance, summarized below, is appropriate and substantially consistent with objectives reflected in the guidelines for improved corporate governance in Canada adopted by the Canadian Securities Administrators (the “**Governance Policy**”).

### Board of Directors

The Board will be composed of four directors.

The Governance Policy suggest that the board of directors of every listed company should be constituted with a majority of individuals who qualify as “unrelated”, or “independent”, directors. An “unrelated” director is a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, the Governance Policy suggests that the Board of Directors should include a number of directors who do not have interests in either the company or the significant shareholder.

The Company will have two “unrelated” directors within the meaning of the Governance Policy: Alexander Somjen and Anthony Zelen. The two remaining directors are not considered “unrelated” within the meaning of the Governance Policy: Carl Saling (President and CEO) and Amasa Lacy (VP – Production). In assessing the Governance Policy and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

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

### **Board Mandate**

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

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

The day-to-day management of the business and affairs of the Company will be delegated by the Board to the senior officers of the Company. The Board will give direction and guidance through the President to management and will keep management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

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

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

### **Position Description**

Because the Board is a small, working board, it has not developed written position descriptions and does not have a process for assessing the performance of the directors or the chair of the Board committees. It is not anticipated that the board of the Company will perform formal assessments of its members in the 12 months following completion of the Transaction.

### **Other Reporting Issuer Experience**

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

<b>Name of Director, Officer or Promoter)</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>	<b>Position</b>	<b>Term</b>
Anthony Zelen	BIG Blockchain Intelligence Group Inc.	CSE	Director	November 2017 to present
	Paloma Resources Inc.	TSXV	Director / CFO	April 2017 to present
	QMC Quantum Minerals Corp.	TSXV	Director	October 2014 to present



	Fitch Street Capital Corp.	TSXV	Director	April 2008 to present
	First Growth Holdings Ltd.	TSXV	Director	July 2011 to November 2018
	Calaveras Resource Corp.	TSXV	Director	June 2017 to December 2018
	New Destiny Mining Corp.	TSXV	Director	July 2015 to April 2018
Geoffrey Balderson	Argentum Silver Corp.	TSXV	President and CEO	August 2014 to May 2017
			Director	July 2007 to present
	Sky Gold Corp.	TSXV	CEO and CFO	September 2013 to January 2015
			Director	April 2008 to March 2015
	Goldeneye Resources Corp.	TSXV	CFO and Director	March 2011 to present
	DMG Blockchain Solutions Inc.	TSXV	CEO, CFO and Director	April 2011 to February 2018
	Patriot One Technologies Inc.	TSXV	CEO and Director	April 2016 to November 2016
	Bankers Cobalt Corp.	TSXV	CEO	August 2016 to October 2017
			Director	August 2016 to February 2018
	Electra Stone Ltd.	TSXV	CFO	January 2017 to January 2018
	Purlobal Cannabis Inc.	TSXV	CFO and Director	January 2018 to March 2018
	DeepRock Minerals Inc.	CSE	CFO and Director	February 2017 to January 2019
	EastWest Bioscience Inc.	TSXV	CFO	April 2017 to December 2018
	Canadian Energy Materials Corp.	TSXV	CFO and Director	September 2017 to present
	Trackloop Analytics Corp.	CSE	CEO and Director	January 2018 to present
	Vangold Mining Corp.	TSXV	Secretary	May 2018 to present
	Primary Energy Metals Inc.	CSE	CFO and Director	September 2018 to June 2019
	RewardStream Solutions Inc.	TSXV	CFO	March 2019 to present
			Director	January 2019 to present
	Schwabo Capital Corp.	TSXV	CFO	January 2019 to present



	Dynamo Capital Corp.	TSXV	CEO, CFO and Secretary	January 2018 to present
	Four Nines Gold Inc.	CSE	CFO and Director	December 2018 to present
	Shooting Acquisition Corp.	TSXV	CEO, CFO and Secretary	September 2018 to present
Alexander Somjen	Resinco Capital Partners Inc.	CSE	President and CEO	June 2018 to present

### **Orientation and Continuing Education**

The Board has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors and consultants of the Company, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members will have full access to the Company's records. It is not anticipated that the board of the Company will adopt formal guidelines in the 12 months following completion of the Transaction.

### **Ethical Business Conduct**

The Board has not adopted formal guidelines to encourage and promote a culture of ethical business conduct but does promote ethical business conduct by nominating board members it considers ethical, by avoiding or minimizing conflicts of interest and by having a sufficient number of its board members independent of corporate matters. It is not anticipated that the board of the Company will adopt formal guidelines in the 12 months following completion of the Transaction.

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

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

### **Nomination of Directors**

The Company will not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the industry are consulted for possible candidates. It is not anticipated that the nomination committee of the Company will adopt a formal process to determine new nominees in the 12 months following completion of the Transaction.

## **Compensation**

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

## **Other Board Committees**

The Board has no other committees other than the Audit Committee. It is not anticipated that the Board of the Company will establish any committee other than its Audit Committee in the 12 months following completion of the Transaction.

## **Assessments**

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

## **RISK FACTORS**

The Company's business and stated business objectives are the business and stated business objectives of Hollister (see "*Description of the Business*"). All references to the Company's business and stated business objectives include the business and stated business objectives of Hollister. To the extent that the Company's business and stated business objectives differ from that of Hollister, further information is provided.

An investment in the Company involves a high degree of risk and should be considered speculative. An investment in the Company should only be undertaken by those persons who can afford the total loss of their investment. You should carefully consider the risks and uncertainties described below, as well as other information contained in this Prospectus, including the financial statements and accompanying notes, appearing elsewhere in this Prospectus, before investing in the Company. The risks and uncertainties below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment.

### **Risks Relating to the Company's Business**

#### ***Limited Operating History***

We have a limited history of operations and are considered a start-up company. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that we will be successful in achieving a return on our shareholders' investments and the likelihood of our success must be considered in light of our early stage of operations.

#### ***The Company has negative cash flow for the year ended December 31, 2018.***

The Company has a negative operating cash flow for the year ended August 31, 2018. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company 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 Company. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

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

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

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

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

***The cannabis industry and market are relatively new in California and this industry and market may not continue to exist or grow as anticipated or the Company may be ultimately unable to succeed in this new industry and market***

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

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

The Company is currently in the expansion from early development stage. The Company's growth plan contemplates upgrading/developing the Facility (see "Description of Business"). There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

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

### ***Construction Risk Factors***

The Company is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction and development upgrades of the Facility. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the Facility upgrade, as planned. There can be no assurance that current or future construction plans implemented by the Company will be successfully completed on time, within budget and without design defect; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; or that the completion of the upgrades, the start-up costs associated with further development of the Company's business and the ongoing operating costs will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

### ***Facility***

The Facility is integral to the Company's business and adverse changes or developments affecting the Facility's current or intended operations may impact the Company's business, financial condition and results of its operations. The Company's activities and resources are currently focused on upgrading the Facility. Adverse changes or developments affecting the Facility, including but not limited to a *force majeure* event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other Facility requirements, including any failure to comply with recommendations or requirements of MAUCSA or the City of Hollister, could also have an impact on the Company's ability to secure local and State licensure.

The company anticipates that the developments to the Facility will have the potential to significantly increase the Company's manufacturing and processing capacity. However, no assurance can be given that the Company will receive the requisite state and local jurisdictional approvals. If the Company is unable to secure the appropriate licenses, permits or otherwise, the expectations of management with respect to the increased future manufacturing and processing capacity may not be borne out, which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, construction delays or cost over-runs in respect of the build-out/development of the facility, howsoever caused, could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Risks Specifically Related to the U.S. Regulatory System***

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

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

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control

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

**This prospectus involves an entity that is expected to continue to derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law.** While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the U.S. where local and state laws permit such activities or provide limited defenses to criminal prosecutions. The Company will be directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the U.S.

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

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

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

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

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



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

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

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

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

Former U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was replaced by Matthew Whitaker as interim Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum."

Additionally, the Rohrbacher-Farr Amendment has been adopted by Congress in successive budgets since 2015. The Amendment prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states that have legalized such activity. This Amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Rohrbacher-Farr Amendment (now known colloquially as the "Joyce-Leahy Amendment" after its most recent sponsors) was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019. In signing the Act, President Trump issued a signing statement noting that the Act "provides that the DOJ may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the Controlled Substances Act and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no federal enforcement actions followed.

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

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

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

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

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

- The Company operates in the cannabis sector in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the *Internal Revenue Code*, normal business expenses incurred in the business of selling cannabis and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;

- Federal prohibitions result in cannabis businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Company will be able to maintain its existing accounts or obtain new accounts in the future; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

### ***Farm Bill Risks***

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs sold in interstate commerce.

If cannabis or THC or CBD derived from cannabis are re-categorized as Schedule II or lower controlled substances, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the Drug Enforcement Administration ("DEA"); however, the FDA has enforced the FDCA with regard to industrial hemp derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis or THC or CBD derived from cannabis were to be rescheduled as federally controlled, yet legal, substances, the FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA and others to enforce the CSA and FDCA against businesses that comply with state but not federal law.

On December 20, 2018 the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the 2018 Farm Bill, industrial hemp is defined as "the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a [THC] concentration of not more than 0.3 percent on a dry weight basis." The U.S. Department of Agriculture has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the Department of Agriculture to review and approve any state-promulgated regulations relating to industrial hemp. Until such time as the Department of Agriculture approves a state's industrial hemp regulations, commercial sale of industrial hemp may not be permissible. The timing of such Department of Agriculture regulations cannot be assured. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA. There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. It is not yet known what role the FDA will have in regulating industrial hemp and CBD derived from industrial hemp.

The potential for multi-agency enforcement post-rescheduling of cannabis and post-removal of industrial hemp from the CSA could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including certain of Issuer's State Operators.

### ***Regulation of Hemp-Derived CBD Products***

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its



intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FDCA, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a “monograph” for a particular drug category, as established by the FDA’s OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA’s current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state’s compliance with the federally-approved plan. If the Secretary does not approve the state’s plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. It is anticipated that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Issuer’s operations, as well as adverse publicity and potential harm to the Issuer’s reputation.

***The Company’s operations in the U.S. cannabis market may become the subject of heightened scrutiny***

The Company’s operations in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to invest in and/or operate in the U.S. or any other jurisdiction.

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

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance

prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the U.S. could also be reason enough for U.S. border guards to deny entry.

***The Company's Operations and potential investments in the United States are subject to applicable anti-money laundering laws and regulations***

The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act* of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued in the 2014 Cole Memo. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

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

Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

The Company's operations, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

***The Company's Operations and potential investments in the United States may be subject to heightened scrutiny by Canadian authorities***

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

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

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the U.S. or elsewhere. A negative shift in the public's perception of cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause

state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it decide to do so. The Company's inability to expand its operations into other jurisdictions may have a material adverse effect on the Company's business, financial condition and results of operations.

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

As previously stated, the Rohrbacher-Farr Amendment ("Joyce-Leahy Amendment") was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019. Historically, American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Joyce-Leahy Amendment in the 2020 budget resolution, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations, and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

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

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

### ***Change in Laws, Regulations and Guidelines***

The Company's operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company's ability to operate in the U.S. as a result of the federally illegal nature of cannabis in the U.S. or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

### ***Reliance on Third-Party Suppliers, Manufacturers and Contractors***

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in the U.S., the Company and its third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

### ***There is no assurance that the Company will maintain its distribution relationship with Indus***

The Company currently relies on Indus to distribute its products. The Company believes it has a strong relationship with Indus and has no reason to believe that it may lose this relationship. In the event the Company loses its relationship with Indus, or fails to maintain this relationship on similar or equally favourable terms, the Company will seek a relationship with a replacement distributor and will leverage its ability to distribute its own products. There is no guarantee that the Company will be successful in securing a new distribution relationship with another entity on terms satisfactory to the Company or at all. Should the Company fail to secure a distribution relationship with an entity the Company considers important, or should the Company form a relationship with an entity on different or less favourable terms than anticipated, the business, financial condition and results of the operation of the Company could be materially adversely affected.

### ***The Company may not be able to develop its products, which could prevent it from ever becoming profitable***

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

### ***The Company's officers and directors control a large percentage of the Company's issued and outstanding Common Shares and such officers and directors may have the ability to control matters affecting the Company and its business***

The officers and directors of the Company currently own approximately 27.59% of the issued and outstanding Common Shares. The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its Common Shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Common Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Common Shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.

### ***There is no assurance that the Company will turn a profit or generate immediate revenues***

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

### ***The Company's operations are subject to environmental regulation in the jurisdiction in which it operates***

These regulations mandate, among other thing, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed

projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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

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

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

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition. In addition, despite certain state-level legalization of marijuana in California, marijuana remains illegal federally and in certain other states. Illicit or "black-market" operations therefore remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

***If the Company is unable to develop and market new products, it may not be able to keep pace with market developments***

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from, new products. The Company may also be required to obtain additional regulatory approvals from applicable authorities which may take significant time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have an material adverse effect on the Company's business, financial condition and results of operations.

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

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



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

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

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

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

***The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders***

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

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

***The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others***

The Company's future business may involve the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in any agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

***The Company may be subject to product recalls for product defects self-imposed or imposed by regulators***

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 Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

***The Company is reliant on key inputs, such as water, utilities and bulk cannabis materials, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts***

The Company's business is dependent on a number of key inputs and their related costs including raw materials (e.g. bulk cannabis oil, cannabis flower, trim, etc.) and supplies related to its manufacturing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the expansion and construction plans for the Facility contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing its growth plan. This could have a material adverse effect on the financial results and operations of the Company.

***The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the U.S***

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

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

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent

conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and state healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks***

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

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

***The Company may be subject to breaches of security at its Facility***

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of California, as well as the concentration of inventory in its facilities, despite meeting or exceeding the security requirements under MAUCRSA, there remains a risk of shrinkage as well as theft. A security breach at the Company's Facility could expose the Company to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

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

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be



competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

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

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

***Need for Additional Financing***

The Company's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Company's business model requires spending money (primarily on, licensing, advertising and marketing) in order to generate revenue. Based on the Company's current financial situation, the Company may have difficulty continuing its operations at the current level, or at all, if it does not raise additional financing in the near future.

In order to execute the Company's business plan, the Company will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures could limit the Company's operations and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Issuer to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Issuer may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's future cash flow, if any, will be adequate to satisfy its ongoing operating expenses and capital requirements.

***Uncertainty of Use of Proceeds***

Although the Company has set out its intended use of proceeds, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business, including the Company's ability to achieve its stated business objectives.

***If we have a material weakness in our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities***

One or more material weaknesses in our internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, our internal controls over financial reporting may not prevent or

detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, we may not be able to provide reasonable assurance as to our financial results or meet our reporting obligations and there could be a material adverse effect on the price of our securities. (See “*Selected Financial Information*” and “*Management’s Discussion and Analysis*”).

### ***Publicity or Consumer Perception***

The Company believes the recreational and medical marijuana industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Company’s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market generally, any particular product or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company’s products and the business, results of operations, financial condition and the Company’s cash flows. The Company’s dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company’s products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company’s products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers’ failure to consume such products appropriately or as directed.

### ***Difficulties with Forecasts***

The Company 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 and medical marijuana industries in California. 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 Company.

## **Risks Relating to the Common Shares**

### ***Market Price of Common Shares and Volatility***

The Common Shares do not currently trade on any exchange or stock market. Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies’ financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to our performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning our business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor’s ability to trade significant numbers of Common Shares; the size of our public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect our long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management’s attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The market price of the Common Shares is affected by many other variables which are not directly related to our success and are, therefore, not within our control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up, escrow or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

### ***No Established Market***

There is currently no market through which the Company's securities may be sold and purchasers may not be able to resell the Company's securities. An active public market for the Common Shares might not develop or be sustained following the filing of this Prospectus. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the shareholder's initial investment.

### ***It may be difficult, if not impossible, for U.S. holders of the Company's Common Shares to resell them over the CSE or other stock exchange***

It has recently come to management's attention that all major securities clearing firms in the United States have ceased U.S. residents who acquire Common Shares as "restricted securities" (including any Common Shares pursuant to the exercise of convertible securities) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the United States will have on the ability of U.S. residents to resell any Common Shares that they may acquire in open market transactions. Our understanding is that all U.S. brokers must use a clearing service to facilitate resale transactions over Canadian securities exchanges. Some U.S. brokers have self-clearing capabilities; those that do not must use third party clearing firms. This issue does not apply to the Depositary Trust Company.

### ***Dividends***

We intend to retain earnings, if any, to finance the growth and development of our business and do not intend to pay cash dividends on the Common Shares in the foreseeable future. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

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

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

### ***Dilution***

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. We intend to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance our operations, development, exploration, acquisitions or other projects. We

cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per Common Share.

***Transactions Engaged in by our Largest Shareholders, our Directors or Officers***

As of the date of this Prospectus, our officers, directors and principal shareholders (greater than 10% shareholders) collectively control approximately 27.59% of the Company. Subsequent sales of our Common Shares by these shareholders could have the effect of lowering the market price of our Common Shares. The perceived risk associated with the possible sale of a large number of Common Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our shareholders to sell their Common Shares, thus causing the market price of our Common Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Common Shares by our directors or officers could cause other institutions or individuals to engage in short sales of the Common Shares, which may further cause the market price of our Common Shares to decline.

From time to time our directors and executive officers may sell Common Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive officers may sell a significant number of Common Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Common Shares. These sales could cause the market price of our Common Shares to drop.

**CERTAIN FEDERAL INCOME TAX CONSIDERATIONS**

The Company encourages each security holder to consult with its own tax or professional advisor to under the tax considerations generally applicable with purchasing or owning Common Shares.

**PROMOTERS**

Karamveer Thakur may be considered to be a Promoter of the Company for the purposes of applicable securities laws, as he has taken the initiative in organizing and financing the Company. Mr. Thakur owns 5,000,000 (3.06%) Common Shares, on a pre-Consolidation basis, upon closing of the Transaction.

Carl Saling may be considered to be a Promoter of Hollister for the purposes of applicable securities laws, as he has taken the initiative in reorganizing and financing Hollister. Mr. Saling will own 44,221,800 (27.10%) Common Shares, and 3,000,000 stock options, on a pre-Consolidation basis, upon closing of the Transaction. See "*Directors and Officers*", "*Principal Shareholders*", "*Consolidated Capitalization*", "*Options to Purchase Securities*" and "*Prior Sales*".

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

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or

instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;

- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

### **LEGAL PROCEEDINGS**

The Company is not aware of any material legal proceedings involving the Company nor are any such proceedings known by the Company to be contemplated.

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

Other than as set forth in this Prospectus, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than ten (10%) percent of the Company's outstanding voting securities, or (iii) any Associate or Affiliate of the foregoing Persons, in any transaction in which the Company has participated within the three years before the date of this Prospectus, that has materially affected or is reasonably expected to materially affect the Company.

### **AUDITORS, TRANSFER AGENTS AND REGISTRARS**

The auditor of Hollister Biosciences and for Hollister is Davidson & Company LLP, Chartered Professional Accountants, located at 1200 – 609 Granville Street, Vancouver, British Columbia V7Y 1G6. Hollister Biosciences currently does not have a transfer and registrar agent.

The Resulting Issuer will maintain the same auditor and is expected to retain Olympia Trust Company to act as transfer agent for the Company.

### **MATERIAL CONTRACTS**

The following are material contracts that have been entered into by the Company or its subsidiaries, other than in the ordinary course of business, within the past two years and which are currently in force:

1. Securities Exchange Agreement. See "*Corporate Structure – Acquisition of Hollister*".
2. Indus Distribution Agreement.
3. Lease Agreement.

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

## **LEGAL MATTERS**

Certain legal matters in connection with this Prospectus have been passed upon by McMillan LLP, on behalf of Hollister Biosciences. As of the date hereof, the partners and associates of McMillan LLP, as a group, beneficially own, directly or indirectly, in the aggregate, less than one percent of the outstanding securities of the Company.

Certain legal matters in connection with this Prospectus will be passed upon by Law Offices of Thomas E. Puzzo, PLLC, on behalf of Hollister. As at the date hereof, the partners and associates of Law Offices of Thomas E. Puzzo, PLLC, as a group, beneficially own, directly or indirectly, in the aggregate, less than one percent of the outstanding Common Shares of the Company.

## **EXPERTS**

No person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this Prospectus as having prepared or certified a part of this Prospectus, or a report, valuation, statement or opinion described in this Prospectus, has received or shall receive a direct or indirect interest in any securities or other property of the Company or any associate or affiliate of the Company. The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- Davidson & Company LLP, Chartered Professional Accountants is the external auditor of Hollister and reported on Hollister's audited financial statements as at and for the period from incorporation to December 31, 2017, for the year ended December 31, 2018 and for the six month interim period ended June 30, 2019, attached as Schedule C
- Davidson & Company LLP, Chartered Professional Accountants is the external auditor of Hollister Biosciences and reported on Hollister Biosciences' audited financial statements as at and for the period from April 17, 2019 (date of incorporation) to August 31, 2019, attached as Schedule A;

Davidson & Company LLP, Chartered Professional Accountants are independent auditors with respect to Hollister Biosciences within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Davidson & Company LLP, Chartered Professional Accountants are independent auditors with respect to Hollister within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Certain legal matters in respect of this Prospectus have been passed upon on behalf of Hollister Biosciences by McMillan LLP and on behalf of Hollister by Law Offices of Thomas E. Puzzo, PLLC. As of the date hereof, the partners and associates of McMillan LLP, as a group, own, directly or indirectly, in the aggregate, less than one percent of the outstanding securities of the Company.

## **OTHER MATERIAL FACTS**

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



**Financial Statement Disclosure**

SCHEDULE “A” HOLLISTER BIOSCIENCES INC. (FORMERLY 1205600 B.C. LTD.) AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD FROM APRIL 17, 2019 (DATE OF INCORPORATION) TO AUGUST 31, 2019

SCHEDULE “B” HOLLISTER BIOSCIENCES INC. (FORMERLY 1205600 B.C. LTD.) MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE PERIOD FROM APRIL 17, 2019 (DATE OF INCORPORATION) TO AUGUST 31, 2019

SCHEDULE “C” WELDON MANNOR LLC AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD FROM JANUARY 13, 2017 (DATE OF INCORPORATION) TO DECEMBER 31, 2017, FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

SCHEDULE “D” WELDON MANOR LLC MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE PERIOD FROM JANUARY 13, 2017 (DATE OF INCORPORATION) TO DECEMBER 31, 2017, FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

SCHEDULE “E” HOLLISTER BIOSCIENCES INC (FORMERLY 1205600 B.C. LTD.) AND WELDON MANOR LLC PRO FORMA FINANCIAL STATEMENTS AS AT AUGUST 31, 2019

**SCHEDULE A**

**HOLLISTER BIOSCIENCES INC. (FORMERLY 1205600 B.C. LTD.)  
AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD  
FROM APRIL 17, 2019 (DATE OF INCORPORATION) TO AUGUST 31,  
2019**



**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**  
**Financial Statements**  
**August 31, 2019**  
**(Expressed in United States Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Director of  
Hollister Biosciences Inc.

### *Opinion*

We have audited the accompanying financial statements of Hollister Biosciences Inc. (the "Company"), which comprise the statements of financial position as at August 31, 2019, and the statements of changes in equity, loss and comprehensive loss, and cash flows for the period from incorporation on April 17, 2019 to August 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019, and its financial performance and its cash flows for the period from incorporation on April 17, 2019 to August 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

November 14, 2019

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Statement of Financial Position****(Expressed in United States Dollars)**

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**As at August 31, 2019**

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	Note	2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	3	2,130,076
Loan receivable	5	402,800
		<b>2,532,876</b>
<b>Non-current assets</b>		
Investment in Weldon Manor, LLC	5	500,000
<b>Total assets</b>		<b>3,032,876</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	6	88,609
<b>Total liabilities</b>		<b>88,609</b>
<b>Equity</b>		
Share capital	4	271,197
Special warrants	4	2,935,424
Warrant reserve	4	113,700
Accumulated other comprehensive loss		(65,810)
Deficit		(310,244)
<b>Total equity</b>		<b>2,944,267</b>
<b>Total liabilities and equity</b>		<b>3,032,876</b>
<b>Nature of operations and going concern</b>	1	
<b>Subsequent events</b>	1,4,5	

Approved by the Company's Sole Director on November 14, 2019:

"Karamveer Thakur"

Director

The accompanying notes are an integral part of these financial statements.

# Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

## Statement of Changes in Equity

(Expressed in United States Dollars)

For the period from incorporation on April 17, 2019 to August 31, 2019

	Number of shares #	Share capital \$	Special warrants \$	Warrant reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Total equity \$
Incorporation, April 17, 2019	-	-	-	-	-	-	-
Issued on incorporation	1	-	-	-	-	-	-
Cancellation of share issued on incorporation	(1)	-	-	-	-	-	-
Issue of shares for cash - seed financing	48,600,000	271,197	-	-	-	-	271,197
Issue of special warrants for cash - (\$0.05 CAD round)	-	-	14,334	-	-	-	14,334
Issue of special warrants for cash - (\$0.07 CAD round)	-	-	3,299,282	-	-	-	3,299,282
Share issue costs - cash	-	-	(264,492)	-	-	-	(264,492)
Special warrant issue costs - finder's warrants	-	-	(113,700)	113,700	-	-	-
Foreign currency translation adjustment	-	-	-	-	(65,810)	-	(65,810)
Loss for the period	-	-	-	-	-	(310,244)	(310,244)
<b>August 31, 2019</b>	<b>48,600,000</b>	<b>271,197</b>	<b>2,935,424</b>	<b>113,700</b>	<b>(65,810)</b>	<b>(310,244)</b>	<b>2,944,267</b>

The accompanying notes are an integral part of these financial statements.

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Statement of Loss and Comprehensive Loss****(Expressed in United States Dollars)**

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**For the period from incorporation on April 17, 2019 to August 31, 2019**

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	Note	2019 \$
<b>Expenses</b>		
Bank charges		110
Consulting	8	11,306
Foreign exchange		162,300
Interest income	5	(2,800)
Marketing		30,505
Professional fees		106,546
Travel		2,277
<b>Loss for the period</b>		<b>(310,244)</b>
Foreign currency translation adjustment		(65,810)
<b>Loss and comprehensive loss for the period</b>		<b>(376,054)</b>
<b>Loss per share</b>		
<b>Weighted average number of common shares outstanding</b>		
- Basic #		39,908,825
- Diluted #		39,908,825
<b>Basic loss per share \$</b>		<b>(0.01)</b>
<b>Diluted loss per share \$</b>		<b>(0.01)</b>

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Statement of Cash Flows****(Expressed in United States Dollars)**

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**For the period from incorporation on April 17, 2019 to August 31, 2019**

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	Note	2019 \$
<b>Operating activities</b>		
Loss for the period		(310,244)
Adjustments for:		
Interest income		(2,800)
Accounts payable and accrued liabilities		72,609
		<b>(240,435)</b>
<b>Financing activities</b>		
Proceeds from issue of shares and special warrants		3,584,814
Share and special warrant issue costs		(248,493)
Proceeds from notes payable	7	338,585
Repayments of notes payable	7	(350,246)
		<b>3,324,660</b>
<b>Investing activities</b>		
Loan to Weldon Manor, LLC		(400,000)
Investment in Weldon Manor, LLC		(500,000)
		<b>(900,000)</b>
Change in cash		<b>2,184,225</b>
Effect of foreign exchange on cash		<b>(54,149)</b>
<b>Cash, beginning of period</b>		<b>-</b>
<b>Cash and cash equivalents, end of period</b>		<b>2,130,076</b>

Supplemental cash flow information

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# Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

## Notes to the Financial Statements

(Expressed in United States Dollars)

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For the period from incorporation on April 17, 2019 to August 31, 2019

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### 1. Nature of operations and going concern

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) is a private company incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada. On August 29, 2019, 1205600 B.C. Ltd. changed its name to Hollister Biosciences Inc. (collectively herein referred to as the "Company"). The Company's registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7. The Company was incorporated for the sole purpose of completing financings in anticipation of completing the acquisition of Weldon Manor, LLC, ("Weldon") and concurrently applying for a listing on the Canadian Securities Exchange (the "CSE") as described below. Weldon is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California.

On April 30, 2019, the Company entered into a letter of intent ("LOI") with Weldon. The LOI was superseded by a Securities Exchange Agreement dated July 9, 2019, between the Company, Weldon, and Weldon's members, whereby Weldon's members would receive 60,000,000 common shares of the Company in consideration of all the issued and outstanding membership units in Weldon at a value of \$0.07 CAD per share (the "Transaction").

Effective November 8, 2019, the Transaction closed whereby the Company acquired all of the issued and outstanding membership interests of Weldon by the issuance of 60,000,000 common shares of the Company to Weldon's members (of which 8,580,000 were issued to the Company in respect of its membership interest in Weldon (Note 5) which were subsequently returned to treasury). Additionally, the Company issued 1,200,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, the Company's common shares will be listed on the CSE. All issued and outstanding common shares of the Company will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE (Note 4).

Following completion of the Transaction, 44,221,800 common shares will be held in escrow. The escrowed common shares will be subject to a timed-release schedule as follows: (i) 10% will be released upon the date of the Company's listing on the CSE; and (ii) an additional 15% will be released every 6 months thereafter until all escrowed common shares have been released (36 months following the date of listing on the CSE).

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company does not have revenues and has incurred operating losses since incorporation. As at August 31, 2019, the Company had working capital of \$2,444,267 and equity of \$2,944,267. As outlined in Note 4, the Company completed two rounds of a Special Warrant Financing for gross proceeds totalling \$3,313,616 (\$4,328,709 CAD). Management has assessed that its working capital is sufficient for the Company to continue as a going concern beyond one year. The continuation of the Company is dependent upon the continuation of Weldon's manufacturing and distribution business in the United States and the generation of positive cash flows and profitable operations therewith. If the going concern assumption were not appropriate for these financial statements, it would be necessary to restate the Company's assets and liabilities on a liquidation basis.



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## Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

### Notes to the Financial Statements

(Expressed in United States Dollars)

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For the period from incorporation on April 17, 2019 to August 31, 2019

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#### 2. Significant accounting policies

##### (a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented for the stub period from incorporation on April 17, 2019 to August 31, 2019. The Company's fiscal year end is December 31.

All amounts in the financial statements are presented in United States dollars ("USD"). The functional currency of the Company is the Canadian dollar ("CAD").

##### (b) Financial instruments

The Company recognizes financial assets and financial liabilities at fair value on the date the Company becomes a party to the contractual provisions of the instruments.

The Company classifies its financial assets into the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost.

The Company classifies its financial liabilities at amortized cost. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or accumulated other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Measurement Category	Subsequent measurement
Cash	FVTPL	Fair value
Loan receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

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## Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

### Notes to the Financial Statements

(Expressed in United States Dollars)

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For the period from incorporation on April 17, 2019 to August 31, 2019

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## 2. Significant accounting policies (continued)

### (c) Impairment

#### (i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

#### (ii) Non-financial assets

Non-financial assets are reviewed at period end by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

### (d) Share capital

Common shares and special warrants are classified as equity. Transaction costs directly attributable to the issue of common shares, special warrants, and compensatory finder warrants are recognized as a deduction from equity as share issue costs, net of any tax effects. Common shares issued for consideration other than cash are valued based on their fair value at the date the shares are issued.

Share issue costs and other legal fees related to and incurred in advance of share subscriptions are recorded as deferred financing costs. Share issue costs related to uncompleted share subscriptions are charged to profit or loss.

### (e) Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign amounts are translated at the period end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

The Company's presentation currency is the United States dollar. The financial position and results of operations of the Company is translated into the presentation currency as follows:

Assets and liabilities are translated at the period end rates of exchange, the results of operations are translated at average rates of exchange for the period, and items of equity are translated at historical rates. The resulting changes are recognized in accumulated other comprehensive income (loss) in equity as a foreign currency translation adjustment.

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Notes to the Financial Statements****(Expressed in United States Dollars)**

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**For the period from incorporation on April 17, 2019 to August 31, 2019**

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**2. Significant accounting policies (continued)****(f) Income taxes**

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

**(g) Loss per share**

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding seed shares which are held in escrow. Diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive common shares related to outstanding stock options and warrants issued by the Company, if any.

**(h) Share-based payments**

The Company may issue compensatory warrants (finders' warrants) in connection with the completion of equity financings. The fair value of compensatory warrants is measured on grant date and is recognized as a reduction to share capital as a share or special warrant issue cost with a corresponding increase in warrant reserve.

Compensatory warrants are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the compensatory warrants issued is recorded on the issuance date which is the date the goods or services are received.

When compensatory warrants are exercised, the consideration received is recorded as share capital and the initial recorded value originally recorded as warrant reserve is transferred to share capital. When a compensatory warrant expires, the initial recorded value is reversed from warrant reserve and credited to share capital.

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Notes to the Financial Statements****(Expressed in United States Dollars)**

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**For the period from incorporation on April 17, 2019 to August 31, 2019**

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**2. Significant accounting policies (continued)****(i) Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of income and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing these financial statements is as follows:

*Fair value of finders' warrants*

Determining the fair value of compensatory warrants (finders' warrants) requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the fair value of the Company's common shares, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

*Valuation of investment*

The determination of fair value of the Company's privately-held investment in Weldon Manor, LLC is subject to certain estimation uncertainty. Adjustment to the fair value of the investment would be based on management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

**(j) Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2020. These updates are not applicable or consequential to the Company and have been omitted from discussion herein.

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Notes to the Financial Statements****(Expressed in United States Dollars)**

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**For the period from incorporation on April 17, 2019 to August 31, 2019**

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**3. Cash**

Cash consists of the following:

	<b>August 31, 2019</b>
	<b>\$</b>
Cash held in trust - CAD	1,689,542
Cash held in trust - USD	6,216
Cash held in bank - CAD	434,318
	<b>2,130,076</b>

**4. Share capital and special warrants**

The authorized share capital of the Company consists of unlimited common shares without par value. All common shares of the Company will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE (Note 1).

**Transactions for the issue of share capital and special warrants during the period from incorporation on April 17, 2019 to August 31, 2019:**

- The Company issued one common share on incorporation of the Company on April 17, 2019 for nominal proceeds, which was cancelled on August 28, 2019.
- The Company issued 48,600,000 common shares ("Seed Shares") for total proceeds of \$271,197 (\$363,000 CAD).

With respect to the 48,600,000 Seed Shares, (i) 33.33% (16,198,380 Seed Shares) are subject to a voluntary hold period of two months following the date the Company obtains a listing on the CSE; and (ii) 33.33% (16,198,380 Seed Shares) are subject to a voluntary hold period of four months following the date the Company obtains a listing on the CSE.

- Special Warrant Financing:

A Special Warrant Financing was completed in two parts comprising an aggregate of 61,945,998 Special Warrants for aggregate gross proceeds of \$3,313,616 (\$4,328,720 CAD) as follows:

- On July 8, 2019, the Company completed an offering of 375,000 Special Warrants at a price of \$0.038 (\$0.05 CAD) each for gross proceeds of \$14,334 (\$18,750 CAD). These Special Warrants were deemed exercised into 375,000 common shares of the Company on November 9, 2019 in connection with closing of the Transaction which occurred on November 8, 2019 (Note 1).
- On July 11, 2019, the Company completed an offering of 61,570,998 Special Warrants at a price of \$0.054 (\$0.07 CAD) each for gross proceeds of \$3,299,282 (\$4,309,970 CAD). These Special Warrants were deemed exercised into 61,570,998 common shares of the Company on November 12, 2019 in connection with closing of the Transaction (Note 1).

In connection with the Special Warrant Financing, the Company paid or accrued \$264,492 (\$350,698 CAD) in cash share issue costs including finder's fees, filing fees, administrative and other expenses, and legal fees. Additionally, the Company issued 4,309,969 Finder's Warrants with an aggregate fair value of \$113,700. Each Finder's Warrant entitles the holder to acquire one common share of the Company at a price of \$0.07 CAD per share until July 11, 2021.

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**Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)****Notes to the Financial Statements****(Expressed in United States Dollars)**

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**For the period from incorporation on April 17, 2019 to August 31, 2019**

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**4. Share capital and special warrants (continued)****Warrants**

During the period ended August 31, 2019, 4,309,969 Finder's Warrants were issued in connection with the Special Warrant Financing, as described above.

As at August 31, 2019 the Company has warrants outstanding and exercisable as follows:

Warrants outstanding #	Warrants exercisable #	Exercise price (CAD) \$	Expiry date	Average remaining life (years)
4,309,969	4,309,969	0.07	July 11, 2021	1.86

The fair value of the Finder's Warrants issued during the period ended August 31, 2019 totaled \$113,700 and is recorded as a reduction to special warrants. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions:

	<b>August 31, 2019</b>
Risk-free interest rate	1.50%
Expected life of stock options	2.00 years
Expected volatility	100.00%

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## Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

### Notes to the Financial Statements

(Expressed in United States Dollars)

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For the period from incorporation on April 17, 2019 to August 31, 2019

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#### 5. Weldon Manor, LLC

##### Investment in Weldon Manor, LLC

On May 31, 2019, the Company entered into a Unit Purchase Agreement with a shareholder of Weldon to purchase 8,580,000 Common Units (formerly 2,222,222 Class A Preferred Units) of Weldon for cash consideration of \$500,000 (paid).

During the period from incorporation on April 17, 2019 to August 31, 2019, Weldon amended its members' equity structure such that 2,222,222 Class A Preferred Units, and 1,055,556 Class B Preferred Units of Weldon were replaced with 53,078,333 Common Units.

As at August 31, 2019, the Company owns 8,580,000 Common Units (14.30%) of Weldon. These Common Units are carried at cost. The Company concluded that the fair value of these Common Units was undeterminable as recent financings completed by Weldon were only between a few investors which is not sufficient enough to provide an indicator of fair value of the Common Units.

Upon closing of the Transaction with Weldon on November 8, 2019, these Common Units were exchanged for 8,580,000 common shares of the Company and subsequently returned to treasury.

##### Loan to Weldon Manor, LLC

On July 8, 2019, and as amended on August 26, 2019, and October 2, 2019, the Company entered into a loan agreement with Weldon for the purpose of advancing working capital funds to Weldon until closing of the Transaction. Under the loan agreement, the Company may loan up to USD \$475,000 to Weldon. Interest is payable at 8% per annum, and the loan is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019.

As at August 31, 2019, loan receivable due from Weldon totalled \$402,800 (\$400,000 principal and \$2,800 accrued interest income).

#### 6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following:

	August 31, 2019 \$
Accrued liabilities - professional fees	72,609
Accrued liabilities - share issue costs	16,000
	<b>88,609</b>

#### 7. Notes payable

On May 29, 2019, the Company entered into six promissory note agreements with arm's length parties. In connection with these agreements, the Company received total proceeds of \$338,585 (\$457,300 CAD) through the issuance of unsecured promissory notes bearing 5% interest per annum. Principal balances on the notes were repaid in full by the Company on July 18, 2019, and interest due on the notes was forgiven on such date.

A continuity of the notes payable is as follows:

	August 31, 2019 \$
Balance, beginning of period	-
Proceeds received	338,585
Repayments	(350,246)
Foreign currency translation adjustment	11,661
<b>Balance, end of period</b>	<b>-</b>



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## Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

### Notes to the Financial Statements

(Expressed in United States Dollars)

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For the period from incorporation on April 17, 2019 to August 31, 2019

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#### 8. Related party transactions

Related parties are considered to be members of key management personnel which comprise Executive Officers and Directors, and companies in which they have control or significant influence over the financial or operating policies. The Company does not have any Executive Officers, and only has a sole Director.

During the period from incorporation on April 17, 2019 to August 31, 2019, the Company entered into a promissory note agreement with a company controlled by its sole Director whereby the Company received total proceeds of \$1,037 (\$1,400 CAD) through the issuance of an unsecured promissory note bearing 5% interest per annum (Note 7). As at August 31, 2019, there was \$nil balance owing on this promissory note.

During the period from incorporation on April 17, 2019 to August 31, 2019, the Company paid \$11,306 (\$15,000 CAD) in listing advisory services (consulting fees) to a company controlled by the sole Director of the Company.

#### 9. Income taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	August 31, 2019 \$
Loss for the period	(310,244)
Statutory Canadian corporate tax rate	27.0%
Anticipated income tax recovery	83,766
Change in tax resulting from:	
Unrecognized items for tax purposes and other	(100,951)
Tax benefits on losses and share issue costs not recognized	17,185
<b>Net deferred income tax recovery</b>	<b>-</b>

As at August 31, 2019 the Company has unused non-capital losses of approximately \$201,000, which will expire in 2039 and may be carried forward to reduce taxable income in future years. The tax benefit of approximately \$54,000 on the losses has not been recognized for tax purposes as there is no certainty that there will be adequate taxable income to utilize the losses.

As at August 31, 2019, the Company has share issue costs totaling approximately \$229,000, which have not been claimed for income tax purposes.

#### 10. Supplemental cash flow information

During the period from incorporation on April 17, 2019 to August 31, 2019, the Company incurred the following non-cash financing activity:

	August 31, 2019 \$
Share issue costs included in accounts payable and accrued liabilities (\$21,000 CAD)	16,000
Share issue costs on finder's warrants issued	113,700

The Company did not incur any cash payments for interest or income taxes during the period ended August 31, 2019.

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# Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

## Notes to the Financial Statements

(Expressed in United States Dollars)

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For the period from incorporation on April 17, 2019 to August 31, 2019

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### 11. Financial risk management

#### Capital management

The Company considers items included in equity as capital. The Company has no long-term debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

In order to maintain or adjust its capital structure, the Company may issue new equity or promissory notes. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at August 31, 2019 is comprised of the components of equity. There were no changes to the Company's approach to capital management during the period ended August 31, 2019.

The Company currently has no source of revenues. The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon closing the Transaction with Weldon (Note 1).

#### Financial instruments - fair value

The Company's financial instruments consist of cash, loan receivable, and accounts payable and accrued liabilities. The carrying values of loan receivable, and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

#### Financial instruments - risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, and currency risk.

##### (a) Credit risk

The Company is exposed to credit risk by holding cash, which is held in trust with Canadian legal counsel, and in a Canadian bank account. Management believes there is no exposure to credit risk with respect to its cash balances. The Company is also exposed to credit risk with respect to the loan receivable due from Weldon. Management believes the credit risk to be minimal as it is anticipated that the Transaction with Weldon will close, and the amount will be offset on consolidation.

##### (b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

##### (c) Interest rate risk

Interest rate risk is the Company's exposure to changes in results of operations because of fluctuating interest rates. The Company has no variable interest-bearing financial instruments and is therefore not exposed to interest rate risk.

##### (d) Currency risk

Currency risk is the risk of changes in profit or loss that arise from fluctuations in foreign exchange rates and the degree of volatility of those rates. As the Company's functional currency is the Canadian dollar, it is exposed to currency risk on certain assets and liabilities denominated in United States dollars. A 10% change in the exchange rate between the Canadian dollar and the United States dollar, would have impacted comprehensive loss by approximately \$53,200 CAD.

**SCHEDULE B**

**HOLLISTER BIOSCIENCES INC. (FORMERLY 1205600 B.C. LTD.)  
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD  
FROM APRIL 17, 2019 (DATE OF INCORPORATION) TO AUGUST 31,  
2019**

**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**

MANAGEMENT DISCUSSION AND ANALYSIS  
August 31, 2019

# **Hollister Biosciences Inc.**

## **(formerly 1205600 B.C. Ltd.)**

Management Discussion & Analysis  
August 31, 2019

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### **1.1 Date**

This Management Discussion and Analysis (“MD&A”) of Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) (“Hollister” or the “Company”) has been prepared by management as of November 14, 2019 and should be read in conjunction with the audited financial statements and related notes thereto of the Company for the period from incorporation on April 17, 2019 to August 31, 2019, which was prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

This MD&A contains forward-looking information which reflects management's expectations regarding the Company's growth, results of operation, performance and business prospects and opportunities. The use of words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “outlook”, “forecast” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements in this MD&A include, but not limited to, the Company's expectation of future activities and results, of its working capital needs and its ability to identify, evaluate and pursue suitable business opportunity. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Readers should not put undue reliance on forward-looking information.

All amounts in this MD&A are presented in United States dollars (“USD”). The functional currency of the Company is the Canadian dollar (“CAD”). The financial statements are presented for the stub period from incorporation on April 17, 2019 to August 31, 2019. The Company's fiscal year end is December 31.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations.

### **1.2 Overall Performance**

The Company was incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The Company was incorporated for the sole purpose of completing financings in anticipation of completing the acquisition of Weldon Manor, LLC, and applying for a listing on the Canadian Securities Exchange (the “CSE”).

The Company completed the acquisition of Weldon Manor, LLC effective November 8, 2019, at which time the security holders of the Company became shareholders of the combined entity (the “Resulting Issuer”). See 1.11 Proposed Transaction.

**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**

Management Discussion & Analysis  
August 31, 2019

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**1.3 Selected Annual Information**

	For the period from incorporation on April 17, 2019 to August 31, 2019
Loss for the period	\$ (310,244)
Loss per share	\$ (0.01)
Current assets	\$ 2,532,876
Total assets	\$ 3,032,876
Total non-current liabilities	\$Nil

Current assets consist of cash in the amount of \$2,130,076, and loan receivable of \$402,800, which is the advances made to Weldon Manor, LLC for working capital purposes, including accrued interest receivable.

During the period ended August 31, 2019 and as amended on October 2, 2019, the Company entered into a loan agreement with Weldon for the purpose of advancing working capital funds to Weldon until closing of the Transaction in an amount up to \$475,000. The loan bears interest at 8% per annum and is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019. As at August 31, 2019, loan receivable due from Weldon totals \$402,800 (\$400,000 principal and \$2,800 accrued interest income).

During the period ended August 31, 2019, the Company recorded interest income of \$2,800 (\$3,700 CAD).

**1.4 Results of Operations**

*Period from incorporation on April 17, 2019 to August 31, 2019*

During the period from incorporation on April 17, 2019 to August 31, 2019, the Company reported a loss and loss of \$310,244 or \$0.01 per share which is substantially comprised of foreign exchange of \$162,300, professional fees of \$106,546, marketing of \$30,505, and consulting of \$11,306.

These expenses are further explained as follows:

- Foreign currency expense of \$162,300 comprises fluctuations in foreign exchange rates between the Canadian and United States dollar and was primarily driven by the translation of USD denominated balances including loan receivable due from Weldon Manor, LLC.
- Professional fees of \$106,546 comprises legal fees associated with preparation of the prospectus documentation, accounting fees, audit fees, and marketing expenses which relate to various costs associated with branding and preparation of the web site and other marketing materials.
- Marketing of \$30,505 comprises branding and website development fees relating to the anticipated combined entities upon completion of the Transaction, paid to a contractor.

**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**

Management Discussion & Analysis  
August 31, 2019

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- Consulting of \$11,306 comprises listing advisory services paid to a company controlled by the sole Director of the Company.

### **1.5 Summary of Quarterly Results**

Quarterly financial information for interim periods preceding the date of this MD&A have been omitted as the Company was incorporated on April 17, 2019.

### **1.6 Liquidity and Capital Resources**

As at August 31, 2019, the Company had working capital of \$2,444,267. As at August 31, 2019, the Company had cash on hand of \$2,130,076 available to settle accounts payable and accrued liabilities of \$88,609.

- On July 8, 2019, the Company completed an offering of 375,000 Special Warrants at a price of \$0.038 (\$0.05 CAD) each for gross proceeds of \$14,334 (\$18,750 CAD). These Special Warrants were deemed exercised into 375,000 common shares of the Company on November 9, 2019 in connection with closing of the Transaction which occurred on November 8, 2019.
- On July 11, 2019, the Company completed an offering of 61,570,998 Special Warrants at a price of \$0.054 (\$0.07 CAD) each for gross proceeds of \$3,299,282 (\$4,309,970 CAD). These Special Warrants were deemed exercised into 61,570,998 common shares of the Company on November 12, 2019 in connection with closing of the Transaction.

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

### **1.7 Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.



**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**

Management Discussion & Analysis  
August 31, 2019

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**1.8 Risk and Uncertainties**

The Company's financial performance is likely to be subject to the following risks:

- The Company has not generated any significant revenue and has incurred significant losses since inception.
- The continuation of the Company is dependent upon the continuation of Weldon's manufacturing and distribution business in the United States and the generation of positive cash flows and profitable operations therewith.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

The Company is exposed to credit risk by holding cash, which is held in trust with Canadian legal counsel, and in a Canadian bank account. Management believes there is no exposure to credit risk with respect to its cash balances. The Company is also exposed to credit risk with respect to the loan receivable due from Weldon. Management believes the credit risk to be minimal as it is anticipated that the Transaction with Weldon will close, and the amount will be offset on consolidation.

*Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

*Interest rate risk*

Interest rate risk is the Company's exposure to changes in results of operations because of fluctuating interest rates. The Company has no variable interest-bearing financial instruments and is therefore not exposed to interest rate risk.

*Currency risk*

Currency risk is the risk of changes in profit or loss that arise from fluctuations in foreign exchange rates and the degree of volatility of those rates. As the Company's functional currency is the Canadian dollar, it is exposed to currency risk on certain assets and liabilities denominated in United States dollars. A 10% change in the exchange rate between the Canadian dollar and the United States dollar, would have impacted comprehensive loss by approximately \$53,200 CAD.

**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**

Management Discussion & Analysis  
August 31, 2019

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**1.9 Transactions with Related Parties**

Related parties are considered to be members of key management personnel which comprise Executive Officers and Directors, and companies in which they have control or significant influence over the financial or operating policies. The Company does not have any Executive Officers, and only has a sole Director.

During the period from incorporation on April 17, 2019 to August 31, 2019, the Company entered into a promissory note agreement with a company controlled by its sole Director whereby the Company received total proceeds of \$1,037 (\$1,400 CAD) through the issuance of an unsecured promissory note bearing 5% interest per annum. As at August 31, 2019, there was \$nil balance owing on this promissory note.

During the period from incorporation on April 17, 2019 to August 31, 2019, the Company paid \$11,306 (\$15,000 CAD) in listing advisory services (consulting fees) to a company controlled by the sole Director of the Company.

**1.10 Fourth Quarter**

The Company has not yet completed its first fiscal year (December 31) as at August 31, 2019. Please refer to 1.4 Results of Operations, and 1.11 Proposed Transactions.

**1.11 Proposed Transaction** (completed effective November 8, 2019)

On April 30, 2019, the Company entered into an LOI with Weldon. The LOI was superseded by a Securities Exchange Agreement dated July 9, 2019, between the Company, Weldon, and Weldon's members, whereby the Weldon's members would receive 60,000,000 common shares of the Company in consideration of all the issued and outstanding membership units in Weldon at a value of \$0.07 CAD per share (the "Transaction").

Effective November 8, 2019, the Transaction closed whereby the Company acquired all of the issued and outstanding membership interests of Weldon by the issuance of 60,000,000 common shares of the Company to Weldon's members (of which 8,580,000 were issued to the Company in respect of its membership interest in Weldon which were subsequently returned to treasury). Additionally, the Company issued 1,200,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, the Company's common shares will be listed on the CSE. All issued and outstanding common shares of the Company will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE.

Following completion of the Transaction, 44,221,800 common shares will be held in escrow. The escrowed common shares will be subject to a timed-release schedule as follows: (i) 10% will be released upon the date of the Company's listing on the CSE; and (ii) an additional 15% will be released every 6 months thereafter until all escrowed common shares have been released (36 months following the date of listing on the CSE).

**Hollister Biosciences Inc.**  
**(formerly 1205600 B.C. Ltd.)**

Management Discussion & Analysis  
August 31, 2019

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**1.12 Critical Accounting Estimates**

Not applicable to venture issuers.

**1.13 Changes in Accounting Policies including Initial Adoption**

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 of the financial statements of the Company, as at and for the period ended August 31, 2019.

**1.14 Financial Instruments and Other Instruments**

The Company's classifies and measures its financial instruments as follows:

Asset/Liability	Measurement Category	Subsequent measurement
Cash	FVTPL	Fair value
Loan receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

**1.15 Other Requirements**

Summary of Outstanding Share Data as of date of this MD&A:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 108,600,000 common shares.

As per:

*"Karamveer Thakur"*

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**Karamveer Thakur**  
Director

**SCHEDULE C**

**WELDON MANOR LLC AUDITED FINANCIAL STATEMENTS AS AT  
AND FOR THE PERIOD FROM JANUARY 13, 2017 (DATE OF  
INCORPORATION) TO DECEMBER 31 2017 FOR THE YEAR ENDED  
DECEMBER 31, 2018 AND FOR THE SIX MONTH PERIOD ENDED  
JUNE 30, 2019**

**Weldon Manor, LLC**  
**Condensed Interim Consolidated Financial Statements**  
**For the six months ended**  
**June 30, 2019**

**Unaudited – Prepared by Management**  
**(Expressed in United States Dollars)**

**Weldon Manor, LLC****Condensed Interim Consolidated Statements of Financial Position****Unaudited – Prepared by Management****(Expressed in United States Dollars)****As at June 30, 2019 and December 31, 2018**

		<b>June 30, 2019</b>	December 31,
	Note	\$	2018
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		17,281	46,676
Receivables	4	110,999	43,621
Prepaid expenses	5	7,675	5,828
Inventory	6	222,474	235,736
		<b>358,429</b>	331,861
<b>Non-current assets</b>			
Deposits	5	104,500	104,500
Property and equipment	7	1,787,535	132,499
<b>Total assets</b>		<b>2,250,464</b>	568,860
<b>Liabilities and members' equity (deficiency)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		298,792	74,232
Accounts payable to related parties	10	85,600	14,100
Current portion of long-term debt	8	101,124	125,124
Current portion of obligation under finance lease	7	32,132	32,132
Current portion of lease liability	7	778,281	-
		<b>1,295,929</b>	245,588
<b>Non-current liabilities</b>			
Long-term debt	8	44,149	267,040
Obligation under finance lease	7	24,352	32,052
Lease liability	7	1,311,892	-
<b>Total liabilities</b>		<b>2,676,322</b>	544,680
<b>Members' equity (deficiency)</b>	9	(425,858)	24,180
<b>Total liabilities and members' equity (deficiency)</b>		<b>2,250,464</b>	568,860
<b>Nature of operations and going concern</b>	<b>1</b>		
<b>Commitments</b>	<b>14</b>		
<b>Subsequent events</b>	<b>17</b>		

Approved on behalf of the Board of Directors on November 14, 2019:

"Carl Saling"

Director

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**Weldon Manor, LLC****Condensed Interim Consolidated Statements of Changes in Members' Equity (Deficiency)****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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	Common units #	Class A preferred units #	Class B preferred units #	Total membership units #	Members' equity (deficiency) \$
December 31, 2017	6,111,667	-	444,445	6,556,112	298,892
Issuance of Membership Units	-	-	611,111	611,111	550,000
Loss and comprehensive loss for the period	-	-	-	-	(400,278)
June 30, 2018	6,111,667	-	1,055,556	7,167,223	448,614
December 31, 2018	6,111,667	2,222,222	1,055,556	9,389,445	24,180
Equity restructuring	53,078,333	(2,222,222)	(1,055,556)	49,800,555	-
Impact on adoption of IFRS 16 (Note 2)	-	-	-	-	(416,359)
Issuance of Membership Units	810,000	-	-	810,000	150,000
Loss and comprehensive loss for the period	-	-	-	-	(183,679)
June 30, 2019	60,000,000	-	-	60,000,000	(425,858)



**Weldon Manor, LLC****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****Unaudited – Prepared by Management****(Expressed in United States Dollars)****For the three and six months ended June 30, 2019 and June 30, 2018**

	Note	Three months ended		Six months ended	
		June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
<b>Revenue</b>		221,826	54,727	428,227	99,175
<b>Cost of sales</b>		343,236	252,470	561,569	400,448
		<b>(121,410)</b>	<b>(197,743)</b>	<b>(133,342)</b>	<b>(301,273)</b>
<b>Operating expenses</b>					
Accretion expense	8	6,554	-	13,107	-
Administrative expenses		5,617	3,986	9,454	6,057
Depreciation	7	240	223	480	446
Finance costs	7	61,908	-	127,408	-
Licenses and permits		4,164	3,388	5,707	15,706
Management fees	10	37,500	21,500	87,500	21,500
Marketing	10	8,301	29,372	16,181	34,173
Professional fees and consulting		9,190	8,861	42,279	15,811
Travel and meals		2,531	2,566	3,657	3,646
<b>Loss from operating expenses</b>		<b>(136,005)</b>	<b>(69,896)</b>	<b>(305,773)</b>	<b>(97,339)</b>
Gain on modification of long-term debt	8	255,436	-	255,436	-
Interest expense	16	-	(833)	-	(1,666)
<b>Loss and comprehensive loss for the period</b>		<b>(1,979)</b>	<b>(268,472)</b>	<b>(183,679)</b>	<b>(400,278)</b>
<b>Loss per share</b>					
Weighted average number of units outstanding					
- Basic #		53,300,333	7,115,371	53,491,040	6,845,860
- Diluted #		53,300,333	7,115,371	53,491,040	6,845,860
<b>Basic loss per share \$</b>		<b>(0.00)</b>	<b>(0.04)</b>	<b>(0.00)</b>	<b>(0.06)</b>
<b>Diluted loss per share \$</b>		<b>(0.00)</b>	<b>(0.04)</b>	<b>(0.00)</b>	<b>(0.06)</b>

**Weldon Manor, LLC****Condensed Interim Consolidated Statements of Cash Flows****Unaudited – Prepared by Management****(Expressed in United States Dollars)****For the six months ended June 30, 2019 and June 30, 2018**

	Note	2019 \$	2018 \$
<b>Operating activities</b>			
Loss and comprehensive loss for the period		(183,679)	(400,278)
Adjustment for non-cash items:			
Accretion expense		13,107	-
Depreciation - cost of sales	7	244,344	6,031
Depreciation	7	480	446
Finance costs		127,408	-
Gain on modification of long-term debt		(255,436)	-
Working capital adjustments:			
Receivables		(67,378)	(2,905)
Prepaid expenses		(1,847)	1,328
Inventory		62,295	25,000
Accounts payable and accrued liabilities		224,560	(71,402)
Accounts payable to related parties		71,500	9,100
		<b>235,354</b>	<b>(432,680)</b>
<b>Financing activities</b>			
Proceeds from issuance of membership units		150,000	550,000
Proceeds from short-term loan		-	50,000
Repayments of short-term loan		-	(27,500)
Repayments of long-term debt		(4,562)	(20,000)
Repayments of lease liabilities		(405,177)	-
		<b>(259,739)</b>	<b>552,500</b>
<b>Investing activities</b>			
Purchases of equipment		(5,010)	(20,988)
		<b>(5,010)</b>	<b>(20,988)</b>
<b>Net change in cash</b>		<b>(29,395)</b>	<b>98,832</b>
<b>Cash, beginning of period</b>		<b>46,676</b>	<b>78,751</b>
<b>Cash, end of period</b>		<b>17,281</b>	<b>177,583</b>

Supplemental cash flow information

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## Weldon Manor, LLC

### Notes to the Condensed Interim Consolidated Financial Statements

#### Unaudited – Prepared by Management

#### (Expressed in United States Dollars)

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For the six months ended June 30, 2019 and June 30, 2018

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#### 1. Nature of operations and going concern

Weldon Manor, LLC (the “Company”) was incorporated on January 13, 2017 as a Limited Liability Company (LLC) in the State of California, USA. Its head office and registered office address is 212 - 9921 Carmel Mtn RD, San Diego, CA, 95023. The Company, collectively with its subsidiaries, operates exclusively in the State of California where the legal commercial production and vending of marijuana is permitted by California state law under *Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)*. The Company is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California.

The Company operates as a licensed manufacturer and distributor of recreational cannabis and cannabis products, and distributes its products through an arrangement with a cannabis distributor to licensed cannabis vendors in California. The Company commenced revenue generating activity during the year ended December 31, 2018. Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

On April 30, 2019, the Company entered into a letter of intent (“LOI”) with Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) (“5600 BC”) a private company incorporated on April 17, 2019, whereby 5600 BC will acquire all of the issued and outstanding membership interests of the Company (the “Transaction”) and seek a public listing on the Canadian Securities Exchange (“CSE”). The LOI was superseded on July 9, 2019, by a Securities Exchange Agreement, and the Transaction closed on November 8, 2019. See Note 17 for further details.

These condensed interim consolidated financial statements (the “financial statements”) are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitment in the normal course of operations. As at June 30, 2019, the Company had a working capital deficiency of \$937,500 (December 31, 2018 – working capital of \$86,273) and members’ deficiency of \$425,858 (December 31, 2018 – members’ equity of \$24,180). The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional capital or maintain the appropriate licensing due to regulatory uncertainties. If the Company is unable to raise additional funds and maintain licensing in the immediate future, management expects that the Company may need to liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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

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## **Weldon Manor, LLC**

### **Notes to the Condensed Interim Consolidated Financial Statements**

#### **Unaudited – Prepared by Management**

#### **(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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## **2. Significant accounting policies**

### **Basis of presentation**

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended December 31, 2018, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently by the Company.

All amounts in these financial statements are presented in United States ("U.S.") dollars, which is the functional currency of the Company, and its subsidiaries.

### **Basis of consolidation**

Subsidiaries are entities controlled by the Company and are included in these financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities.

These financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

- Hollister Holistics 1 ("HH1"): incorporated on July 28, 2014 in the State of California; and
- Hollister Holistics 2 ("HH2"): incorporated on June 12, 2017 in the State of California.

On June 4, 2018, both HH1 and HH2 became wholly-owned subsidiaries of the Company and the existing members of HH1 and HH2 became members of Weldon Manor, LLC, with no change occurring to the members' respective ownership percentages.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing these financial statements.

### **Estimates and critical judgments by management**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. There were no significant changes to the estimates prepared by management during the six months ended June 30, 2019.

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## Weldon Manor, LLC

### Notes to the Condensed Interim Consolidated Financial Statements

#### Unaudited – Prepared by Management

#### (Expressed in United States Dollars)

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For the six months ended June 30, 2019 and June 30, 2018

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## 2. Significant accounting policies (continued)

### New standards adopted during the period

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019.

#### New standard IFRS 16 - Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It was effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would have formerly been accounted for as operating leases.

The Company has a lease on its building premises (facility). In the context of IFRS 16, a ROU asset of \$1,943,883 and a lease liability of \$2,360,242 was recognized as at January 1, 2019 (Note 7), in accordance with the modified retrospective approach. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 10% on January 1, 2019. The ROU asset (recognized within property and equipment) was measured at an amount equal to the corresponding initial lease liability. The Company also has a lease on manufacturing equipment. The adoption of this new standard did not have an impact on the accounting for the lease of manufacturing equipment.

On adoption, the following practical expedients were permitted by IFRS 16, but were not applicable to the Company:

- Accounted for leases with a remaining term of less than twelve months as at January 1, 2019, as short-term leases; and
- Accounted for lease payments as an expense for leases of low-value assets.

The modified retrospective approach does not require restatement of prior period comparative financial information and is applied prospectively. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include: determining contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

The impact on profit or loss was an elimination of rent expense (either within cost of sales or operating expenses), which was replaced by the depreciation of the ROU asset and interest (finance) costs on the lease liability. The Company's leases are denominated in U.S. dollars, therefore there was no additional volatility in foreign exchange amounts recognized in profit or loss. See Note 7 for additional details.

#### New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

There were no material reporting changes as a result of adopting the new Interpretation.

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## Weldon Manor, LLC

### Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in United States Dollars)

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For the six months ended June 30, 2019 and June 30, 2018

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### 3. Mighty Meds Inventory and Intangible Asset

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations.

As the acquired assets did not qualify as a business according to the definition of IFRS 3, *Business Combinations*, the acquisition does not constitute a business combination; rather it is treated as an acquisition of assets including inventory, and intangible asset which is attributable collectively to the domain names/websites, product formulations, and branding acquired.

	December 7, 2017
<b>Net assets acquired:</b>	<b>\$</b>
Inventory	37,096
Intangible asset	512,904
<b>Total</b>	<b>550,000</b>
<b>Present value of consideration paid:</b>	<b>\$</b>
Long-term debt (Note 8)	390,407
<b>Total</b>	<b>390,407</b>

In accordance with the Agreement, and prior to the amendment discussed below, the Company was required to make cash payments totalling \$550,000 (amended to \$200,000) as follows:

- \$30,000 from January 2018 to June 2018 (a minimum of \$5,000 per month) (completed); and
- \$520,000 from July 2018 to October 2022 (a minimum of \$10,000 per month) (\$20,000 completed, and amended per below).

On April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to \$200,000, of which \$50,000 was paid during the year ended December 31, 2018. In accordance with the Amendment, the Company is required to make payments as follows:

- \$3,000 from May 2019 to July 2019 (\$1,000 per month) (\$2,000 completed as at June 30, 2019);
- \$15,000 from August 2019 to October 2019 (\$5,000 per month);
- \$132,000 from November 2019 to December 2020 (\$10,000 per month until the balance is paid in full).

During the six months ended June 30, 2019, the Company made cash payments of \$2,000 (2018 - \$20,000) towards the purchase price consideration payable which was applied against long-term debt.

As at June 30, 2019, the undiscounted amount of the balance payable to the Sellers was \$148,000 (December 31, 2018 - \$500,000). The balance payable by the Company is personally guaranteed by the Company's CEO.

#### Intangible asset:

A continuity of the intangible asset is as follows:

	June 30, 2019	December 31, 2018
	<b>\$</b>	<b>\$</b>
Opening balance	-	512,904
Impairment	-	(512,904)
	-	-

As at December 31, 2018, the Company recorded an impairment of intangible asset in the amount of \$512,904. During the year then ended, the Company determined that there were indicators that the carrying value of the intangible asset was impaired. These impairment indicators included, but are not limited to, underperforming sales of the product line, and the resulting downward revision to the consideration payable agreed upon between the Company and the Seller which occurred during the six months ended June 30, 2019.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**4. Receivables**

Receivables consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	113,350	45,972
Allowance for doubtful accounts	(2,351)	(2,351)
	<b>110,999</b>	<b>43,621</b>

During the six months ended June 30, 2019 and June 30, 2018, the Company did not incur any loss provisions against receivables for estimated bad debt expense.

**5. Prepaid expenses and deposits**

Prepaid expenses and deposits consist of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Prepaid expenses:</b>		
Prepaid permitting costs	7,675	5,828
	<b>7,675</b>	<b>5,828</b>
<b>Deposits:</b>		
Security deposit on Facility Lease (Note 14)	100,000	100,000
Equipment lease deposit	4,500	4,500
	<b>104,500</b>	<b>104,500</b>

**6. Inventory**

Inventory consists of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Raw materials	37,304	54,660
Concentrates (finished goods)	123,729	57,541
Pre-rolls (finished goods)	23,532	88,256
Packaging and supplies	37,909	35,279
	<b>222,474</b>	<b>235,736</b>

During the six months ended June 30, 2019 and June 30, 2018, the Company did not incur any inventory write-downs.

During the six months ended June 30, 2019, the portion of cost of sales relating specifically to inventory amounted to \$423,357 (2018 - \$93,800).

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**7. Property and equipment**

	Furniture and fixtures \$	Vehicle \$	Manufacturing equipment \$	ROU assets \$	Total \$
<b><u>Cost</u></b>					
December 31, 2017	3,823	-	18,351	-	22,174
Additions	973	21,600	137,586	-	160,159
December 31, 2018	4,796	21,600	155,937	-	182,333
<b><u>Accumulated depreciation</u></b>					
December 31, 2017	765	-	3,670	-	4,435
Depreciation	959	4,320	40,120	-	45,399
December 31, 2018	1,724	4,320	43,790	-	49,834
<b><u>Cost</u></b>					
December 31, 2018	4,796	21,600	155,937	-	182,333
Additions	-	-	5,010	-	5,010
Adoption of IFRS 16 on January 1, 2019	-	-	-	1,943,883	1,943,883
<b>June 30, 2019</b>	<b>4,796</b>	<b>21,600</b>	<b>160,947</b>	<b>1,943,883</b>	<b>2,131,226</b>
<b><u>Accumulated depreciation</u></b>					
December 31, 2018	1,724	4,320	43,790	-	49,834
Depreciation	480	1,800	20,562	271,015	293,857
<b>June 30, 2019</b>	<b>2,204</b>	<b>6,120</b>	<b>64,352</b>	<b>271,015</b>	<b>343,691</b>
<b><u>Net book value</u></b>					
December 31, 2018	3,072	17,280	112,147	-	132,499
<b>June 30, 2019</b>	<b>2,592</b>	<b>15,480</b>	<b>96,595</b>	<b>1,672,868</b>	<b>1,787,535</b>

As at December 31, 2018, manufacturing equipment under finance lease was included within manufacturing equipment. Effective January 1, 2019 in connection with the adoption of IFRS 16 (Note 2), manufacturing equipment under finance lease was reclassified to ROU assets.

During the six months ended June 30, 2019, depreciation was allocated as follows:

- \$244,344 (2018 - \$6,031) within cost of sales relating to vehicle, manufacturing equipment, and ROU assets;
- \$480 (2018 - \$446) within operating expenses relating to furniture and fixtures; and
- \$49,033 (2018 - \$nil) to inventory within concentrates and pre-rolls.



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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**7. Property and equipment (continued)****Right-of-use (“ROU”) asset:**

The Company’s ROU asset includes the following lease:

- Manufacturing facility in Hollister, California (Note 14).

Effective January 1, 2019, on adoption of IFRS 16 (Note 2), the Company capitalized the facility as a ROU asset with an offsetting lease liability.

**Lease liability:**

A reconciliation of the carrying amount of the lease liability recognized on initial adoption of IFRS 16, and for the six months ended June 30, 2019 is as follows:

	<b>June 30, 2019 \$</b>
January 1, 2019 (Note 2)	2,360,242
Lease payments	(389,141)
Lease interest (finance costs)	119,072
<b>June 30, 2019</b>	<b>2,090,173</b>
<b>Current portion of lease liabilities</b>	<b>778,281</b>
<b>Non-current portion of lease liabilities</b>	<b>1,311,892</b>

As at June 30, 2019, the total undiscounted amount of the estimated future cash flows to settle the Company’s lease liability over the remaining lease terms is \$2,464,557 (December 31, 2018 - \$nil).

Short-term leases are leases with a lease term of twelve months or less. As at June 30, 2019 and December 31, 2018, the Company did not have any short-term leases. As at June 30, 2019, there were no extension options that were reasonably certain to be exercised included in the measurement of the lease liability, and there were no leases with residual value guarantees.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**7. Property and equipment (continued)****Obligation under finance lease:**

The Company's obligation under finance lease arises from the lease of manufacturing equipment which includes various items leased from a single commercial lessor (Note 14). The lease is personally guaranteed by the Company's CEO.

A reconciliation of the carrying amount of the obligation under finance lease for the six months ended June 30, 2019 is as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Opening balance	64,184	-
Additions	-	67,000
Repayments	(16,066)	(6,300)
Finance costs	8,366	3,484
	<b>56,484</b>	64,184
Less: current portion	32,132	32,132
<b>Long-term portion</b>	<b>24,352</b>	32,052

As at June 30, 2019, the total undiscounted amount of the estimated future cash flows to settle the Company's obligation under finance lease over the remaining lease term is \$77,653 (December 31, 2018 - \$93,970).

During the year ended December 31, 2018, the Company incurred finance costs of \$6,946 which represented interest expense of \$3,484 implicit in the manufacturing equipment lease, with the remainder attributable to holding costs (included in operating expenses) paid prior to the commencement date of the lease.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**8. Long-term debt**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
a) <b>Vehicle loan</b>		
Opening balance	18,738	-
Additions	-	21,600
Repayments	(2,562)	(2,862)
	<b>16,176</b>	<b>18,738</b>
<b>Mighty Meds consideration payable (Note 3)</b>	<b>\$</b>	<b>\$</b>
Opening balance	373,426	390,407
Repayments	(2,000)	(50,000)
Gain on modification of long-term debt	(255,436)	-
Accretion expense	13,107	33,019
	<b>129,097</b>	<b>373,426</b>
	<b>145,273</b>	<b>392,164</b>
Less: current portion	101,124	125,124
<b>Long-term debt</b>	<b>44,149</b>	<b>267,040</b>

a) Vehicle loan:

During the year ended December 31, 2018, the Company financed the purchase of a vehicle used within the Company's procurement and sales activities. The vehicle cost \$21,600 including applicable sales taxes and fees and was financed entirely by the seller (the "Vehicle Loan").

The Vehicle Loan is repayable in monthly installments, financed at an annual percentage rate of 12.39%, and maturing on May 23, 2024. Payments are due as follows:

- 71 monthly payments of \$427 beginning on June 23, 2018; and
- 1 final payment of \$390 on May 23, 2024.

The Company is in compliance with the scheduled payments. The Vehicle Loan is personally guaranteed by the Company's CEO.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**9. Members' equity (deficiency)**

As at June 30, 2019, the authorized members' equity of the Company consists of Membership Units ("Units") designated as Common Units.

During the six months ended June 30, 2019, the Company amended its authorized members' equity structure. The Company's former structure consisted of the following Units as at December 31, 2018:

- Two classes of Units designated as Preferred Units:
  - Class A Preferred Units; and
  - Class B Preferred Units.
- One class of Units designated as Common Units:
  - Class A Common Units ("Common Units").

Class A Preferred Units and Class B Preferred Units took equal priority on distributions equal to \$0.90 per unit. Common Units took priority thereafter. In the event of liquidation, Class A Preferred Units took first priority, Class B Preferred Units took second priority, and Common Units took final priority on liquidation.

**Transactions for the issue of Membership Units during the six months ended June 30, 2019:**

- The Company completed a restructuring of its members' equity such that 2,222,222 Class A Preferred Units, and 1,055,556 Class B Preferred Units were replaced with 53,078,333 Common Units.
- The Company issued 810,000 Common Units at \$0.185 per Unit for proceeds of \$150,000.

**Transactions for the issue of Membership Units during the six months ended June 30, 2018:**

- The Company issued 611,111 Class B Preferred Units at \$0.90 per Unit for proceeds of \$550,000.

During the six months ended June 30, 2019 and June 30, 2018, there was \$nil cash distributions to members.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**10. Related party transactions and balances**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the six months ended June 30, 2019 and June 30, 2018, are as follows:

**Transactions with key management personnel:**

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Management fees	87,500	21,500
Marketing	-	5,000
	<b>87,500</b>	<b>26,500</b>

**Accounts payable to related parties:**

As at June 30, 2019 and December 31, 2018, accounts payable to related parties included the following:

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Due to CEO - expense reimbursements and management fees	38,600	9,100
Due to VP Business Development - management fees	12,500	-
Due to VP Business Development - marketing fees	5,000	5,000
Due to VP Production - management fees	29,500	-
	<b>85,600</b>	<b>14,100</b>

These amounts are unsecured, non-interest bearing and are due on demand.

**11. Capital management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as members' equity (deficiency).

The Company has historically relied on financing from the issuance of Units, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2019.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**12. Financial risk management and financial instruments****Fair value of financial instruments**

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and lease liabilities also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

**Economic dependence**

The Company derived 42% (2018 – 99%) of its revenues from its top five customers who individually make up from 6% to 11% of revenues (2018 – 10% to 45%). These customers accounted for \$179,487 of revenue during the six months ended June 30, 2019 (2018 - \$98,517).

**Financial instruments - risk**

The Company is exposed to varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is as follows:

**(a) Credit risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure to the Company is the carrying amount of cash, and receivables.

Most of the Company's cash is held with a major U.S. financial institution, and management believes the exposure to credit risk with respect to the financial institution is not significant.

The Company is exposed to credit risk inherent in its trade receivables which include credit exposures to customers and their outstanding trade receivables balances.

**Impairment of financial assets**

The Company's sole financial asset that is subject to the expected credit loss model is trade receivables arising from revenue. While cash is also subject to the impairment requirements of IFRS 9, the risk is insignificant.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on specific credit risk characteristics, debtor circumstances, and the days past due. The volume of debtors in these respective categories is low. The expected loss amounts are based on payment profiles since commencement of revenue-generating activity which began during the year ended December 31, 2018, and the corresponding historical credit losses experienced within this period for these debtors. The historical loss rates, if any, are considered and adjusted in respect of aged trade receivables to reflect current and forward-looking information on factors specific to the customers' ability to settle the amounts.

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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**12. Financial risk management and financial instruments****(a) Credit risk (continued)**

On this basis, the loss allowance as at June 30, 2019 and December 31, 2018 was determined as follows for trade receivables:

	Current \$	30+ days overdue \$	60+ days overdue \$	90+ days overdue \$	Total \$
Gross carrying amount - trade receivables	-	-	-	2,351	2,351
<b>Loss provision</b>	-	-	-	<b>2,351</b>	<b>2,351</b>

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan, and a failure by the debtor to make contractual payments for a period of greater than 90 days past due, or shorter if specific circumstances suggest otherwise.

Loss provisions are included within administrative expenses. Subsequent recoveries of amounts previously written-off are credited against the same line item.

As at June 30, 2019, 58% of trade receivables were due from two customers (December 31, 2018 – 78% due from three customers). As at June 30, 2019, an expected credit loss of \$2,351 was recognized on trade receivables for a single customer for which there is minimal expectation for future repayment (December 31, 2018 - \$2,351) (Note 4).

**(b) Interest rate risk**

The Company is exposed to interest rate risk because of fluctuating interest rates on its cash balances held on deposit in a financial institution. Management does not believe that the Company's exposure to interest rate risk is significant. The Company does not have any interest-bearing debt instruments with variable rates.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at June 30, 2019, the Company had \$17,281 in cash to settle current liabilities in the amount of \$1,295,929. The Company will require additional funding to meet its ongoing obligations, as discussed in Note 1.

**(d) Price risk**

The Company is exposed to price risk with respect to movements in market prices for goods which may impact revenue, cost of sales and the results of operations. The Company closely monitors demand and market prices of its finished goods and raw materials to determine the appropriate course of action to be taken by the Company.

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## Weldon Manor, LLC

### Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in United States Dollars)

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For the six months ended June 30, 2019 and June 30, 2018

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#### 13. Segmented information

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

The Company operates in a single reportable segment, being the manufacture and distribution of cannabis pre-roll and extract products in the United States within the State of California. All of the Company's revenue were generated through sales in the State of California, and all of the Company's property and equipment is located in California.

#### 14. Commitments

##### Facility Lease (Lease liability):

On August 28, 2017, the Company entered into an Agreement for Lease (the "Lease") with an arm's length party for the lease of approximately 37,000 sq. ft. of a building to be used as its head office and manufacturing facility. The lease has a term of five years commencing on September 1, 2017, until August 31, 2022. The Facility Lease is renewable for three additional 5-year terms at the option of the Company.

The Company's minimum annual commitment on the facility is as follows:

	Future payments
Year	\$
2019 (remainder)	389,141
2020	778,281
2021	778,281
2022	518,854
	<b>2,464,557</b>

The Facility Lease payments are personally guaranteed by the Company's CEO.

##### Manufacturing Equipment Lease (Obligation under finance lease):

The Company leases various items from a single commercial lessor under a single lease agreement with interest of approximately 2.3%, and a term of 37 months maturing in December 2021. On maturity of the finance lease, the Company has a purchase option to buy the equipment at fair market value. The lease is personally guaranteed by the Company's CEO.

The Company's minimum annual commitment on the manufacturing equipment is shown below. Finance charges which represent the cost of interest to be incurred over the term of the lease are deducted from the total contractual payments to arrive at the carrying value as at June 30, 2019 of the obligation under finance lease.

	Lease payments
Year	\$
2019 (remainder)	16,066
2020	32,132
2021	29,075
	77,273
Future finance charges	(20,789)
	<b>56,484</b>



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**Weldon Manor, LLC****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in United States Dollars)**

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**For the six months ended June 30, 2019 and June 30, 2018**

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**15. Supplemental cash flow information**

During the six months ended June 30, 2019 and June 30, 2018, the Company incurred non-cash investing activities as follows:

	<b>June 30 2019 \$</b>	<b>June 30 2018 \$</b>
Non-cash investing activities:		
Property and equipment depreciation included in inventory	49,033	-
Property and equipment addition (vehicle) - financed by long-term debt	-	21,600
Property and equipment additions - ROU assets (adoption of IFRS 16)	1,943,883	-
Non-cash financing activities:		
Lease liabilities - ROU assets (adoption of IFRS 16)	2,360,242	-

During the six months ended June 30, 2019 and June 30, 2018, the Company did not incur any cash payments for income tax expenses or interest expense.

**16. Short-term loan**

Effective February 22, 2018, the Company entered into a Loan Agreement for \$50,000 with a private arm's length lender. The loan matured on August 31, 2018 and bore interest at 10% per annum.

During the six months ended June 30, 2018, the Company made repayments of \$27,500 on the loan and incurred \$1,666 in interest expense. As at June 30, 2019, and December 31, 2018, there was \$nil owing on this loan.

**17. Subsequent events**Proposed Transaction:

As discussed in Note 1, on April 30, 2019, the Company entered into an LOI with 5600 BC. The LOI was superseded by a Securities Exchange Agreement dated July 9, 2019, between 5600 BC, the Company, and the Company's members.

Effective November 8, 2019, the Transaction closed whereby 5600 BC acquired all of the issued and outstanding membership interests of the Company by the issuance of 60,000,000 common shares of 5600 BC to the members of the Company (of which 8,580,000 were issued to 5600 BC in respect of its membership interest in the Company which were subsequently returned to treasury). Additionally, 5600 BC issued 1,200,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, 5600 BC's common shares will be listed on the CSE. All issued and outstanding common shares of 5600 BC will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE.

Loan Agreement with 5600 BC:

On July 8, 2019, and as amended on August 26, 2019, and October 2, 2019, the Company entered into a loan agreement with 5600 BC for the purpose of obtaining working capital funds until closing of the Transaction. Under the loan agreement, the Company may receive up to \$475,000 from 5600 BC. Interest is payable at 8% per annum, and the loan is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019.

**Weldon Manor, LLC**  
**Consolidated Financial Statements**  
**December 31, 2018**  
**(Expressed in United States Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Manager of  
Weldon Manor, LLC

### *Opinion*

We have audited the accompanying consolidated financial statements of Weldon Manor, LLC (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of changes in members' equity, loss and comprehensive loss, and cash flows for the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a working capital of \$86,273 and members' equity of \$24,180. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

November 14, 2019

**Weldon Manor, LLC****Consolidated Statements of Financial Position****(Expressed in United States Dollars)****As at December 31, 2018 and December 31, 2017**

		<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash		46,676	78,751
Receivables	4	43,621	-
Prepaid expenses	5	5,828	11,656
Inventory	6	235,736	142,696
		<b>331,861</b>	<b>233,103</b>
<b>Non-current assets</b>			
Deposits	5	104,500	104,500
Equipment	7	132,499	17,739
Intangible asset	3	-	512,904
<b>Total assets</b>		<b>568,860</b>	<b>868,246</b>
<b>Liabilities and members' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		74,232	178,947
Accounts payable to related parties	11	14,100	-
Current portion of long-term debt	8	125,124	90,000
Current portion of obligation under finance lease	9	32,132	-
		<b>245,588</b>	<b>268,947</b>
<b>Non-current liabilities</b>			
Long-term debt	8	267,040	300,407
Obligation under finance lease	9	32,052	-
<b>Total liabilities</b>		<b>544,680</b>	<b>569,354</b>
<b>Members' equity</b>	10	24,180	298,892
<b>Total liabilities and members' equity</b>		<b>568,860</b>	<b>868,246</b>
<b>Nature of operations and going concern</b>	<b>1</b>		
<b>Commitment</b>	<b>15</b>		
<b>Subsequent events</b>	<b>19</b>		

Approved on behalf of the Board of Directors on November 14, 2019:

"Carl Saling"

Director

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**Weldon Manor, LLC****Consolidated Statements of Changes in Members' Equity****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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	<b>Common Units #</b>	<b>Class A Preferred Units #</b>	<b>Class B Preferred Units #</b>	<b>Total Membership Units #</b>	<b>Members' Equity \$</b>
January 13, 2017	-	-	-	-	-
Issuance of Membership Units	6,111,667	-	444,445	6,556,112	400,100
Loss and comprehensive loss for the period	-	-	-	-	(101,208)
December 31, 2017	6,111,667	-	444,445	6,556,112	298,892
December 31, 2017	6,111,667	-	444,445	6,556,112	298,892
Issuance of Membership Units	-	2,222,222	611,111	2,833,333	1,216,667
Loss and comprehensive loss for the year	-	-	-	-	(1,491,379)
<b>December 31, 2018</b>	<b>6,111,667</b>	<b>2,222,222</b>	<b>1,055,556</b>	<b>9,389,445</b>	<b>24,180</b>

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**Weldon Manor, LLC****Consolidated Statements of Loss and Comprehensive Loss****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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	Note	2018 \$	2017 \$
Revenue		465,317	-
Cost of sales		1,069,045	-
		(603,728)	-
<b>Operating expenses</b>			
Administrative expenses		15,827	47,103
Accretion expense	8	33,019	-
Depreciation	7	959	4,435
Finance costs	9	7,323	3,270
Licenses and permits		26,382	525
Management fees	11	105,250	22,000
Marketing	11	70,991	2,834
Professional fees and consulting		95,527	7,899
Rent	15	3,080	167,482
Travel and meals		8,350	1,735
Wages and contractors		3,039	3,518
<b>Loss from operating expenses</b>		<b>(369,747)</b>	<b>(260,801)</b>
Impairment of intangible asset	3	(512,904)	-
Interest expense	18	(5,000)	-
Interest income	3	-	159,593
<b>Loss and comprehensive loss for the year/period</b>		<b>(1,491,379)</b>	<b>(101,208)</b>
<b>Loss per share</b>			
<b>Weighted average number of units outstanding</b>			
- Basic #		<b>8,155,503</b>	6,362,772
- Diluted #		<b>8,155,503</b>	6,362,772
<b>Basic loss per share \$</b>		<b>(0.18)</b>	(0.02)
<b>Diluted loss per share \$</b>		<b>(0.18)</b>	(0.02)



**Weldon Manor, LLC****Consolidated Statements of Cash Flows****(Expressed in United States Dollars)****For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

	Note	2018 \$	2017 \$
<b>Operating activities</b>			
Loss and comprehensive loss for the year/period		(1,491,379)	(101,208)
Adjustment for non-cash items:			
Accretion expense		33,019	-
Depreciation - cost of sales		44,440	4,435
Depreciation		959	-
Finance costs	9	3,484	-
Impairment of intangible asset		512,904	-
Interest income		-	(159,593)
Inventory write-down - cost of sales	6	5,813	-
Loss provision - administrative expenses	4	2,351	-
Working capital adjustments:			
Receivables		(45,972)	-
Prepaid expenses		5,828	(11,656)
Inventory		(98,853)	(105,600)
Accounts payable and accrued liabilities		(104,715)	178,947
Accounts payable to related parties		14,100	-
		<b>(1,118,021)</b>	<b>(194,675)</b>
<b>Financing activities</b>			
Proceeds from issuance of Membership units		1,216,667	400,100
Loan advance	18	50,000	-
Loan repayment	18	(50,000)	-
Repayments of long-term debt	3, 8	(52,862)	-
Repayments of obligation under finance lease		(6,300)	-
		<b>1,157,505</b>	<b>400,100</b>
<b>Investing activities</b>			
Purchases of equipment		(71,559)	(22,174)
Deposits paid		-	(104,500)
		<b>(71,559)</b>	<b>(126,674)</b>
<b>Net change in cash</b>		<b>(32,075)</b>	<b>78,751</b>
<b>Cash, beginning of year</b>		<b>78,751</b>	<b>-</b>
<b>Cash, end of year</b>		<b>46,676</b>	<b>78,751</b>

Supplemental cash flow information

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## Weldon Manor, LLC

### Notes to the Consolidated Financial Statements

(Expressed in United States Dollars)

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For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017

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#### 1. Nature of operations and going concern

Weldon Manor, LLC (the "Company") was incorporated on January 13, 2017 as a Limited Liability Company (LLC) in the State of California, USA. Its head office and registered office address is 212 - 9921 Carmel Mtn RD, San Diego, CA, 95023. The Company, collectively with its subsidiaries, operates exclusively in the State of California where the legal commercial production and vending of marijuana is permitted by California state law under *Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)*. The Company is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California.

The Company operates as a licensed manufacturer and distributor of recreational cannabis and cannabis products, and distributes its products through an arrangement with a cannabis distributor to licensed cannabis vendors in California. The Company commenced revenue generating activity during the year ended December 31, 2018. Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

On April 30, 2019, the Company entered into a letter of intent ("LOI") with Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) ("5600 BC") a private company incorporated on April 17, 2019, whereby 5600 BC will acquire all of the issued and outstanding membership interests of the Company (the "Transaction") and seek a public listing on the Canadian Securities Exchange ("CSE"). The LOI was superseded on July 9, 2019, by a Securities Exchange Agreement, and the Transaction closed on November 8, 2019. See Note 19 for further details.

These consolidated financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitment in the normal course of operations. As at December 31, 2018, the Company had working capital of \$86,273 (December 31, 2017 – working capital deficiency \$35,844) and members' equity of \$24,180 (December 31, 2017 – \$298,892). The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional capital or maintain the appropriate licensing due to regulatory uncertainties. If the Company is unable to raise additional funds and maintain licensing in the immediate future, management expects that the Company may need to liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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

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## **Weldon Manor, LLC**

### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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## **2. Significant accounting policies**

### **Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently by the Company.

All amounts in these financial statements are presented in United States ("U.S.") dollars, which is the functional currency of the Company, and its subsidiaries.

### **Basis of consolidation**

Subsidiaries are entities controlled by the Company and are included in these financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities.

These financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

- Hollister Holistics 1 ("HH1"): incorporated on July 28, 2014 in the State of California. HH1 was a dormant entity until the year ended December 31, 2017. HH1 was formerly named Cal West Organics Corporation until the name change to Hollister Holistics 1 on October 11, 2017. On June 11, 2018, HH1 became a general stock corporation in the State of California; and
- Hollister Holistics 2 ("HH2"): incorporated on June 12, 2017 in the State of California. HH2 was formerly named Cal West Organics Growth Corporation until the name change to Hollister Holistics 2 on October 11, 2017. On June 11, 2018, HH2 became a general stock corporation in the State of California.

Since their respective incorporation dates, HH1 and HH2 were wholly-owned by the Company's CEO, until Membership Units were issued to other arm's length members during the year ended December 31, 2017.

On June 4, 2018, both HH1 and HH2 became wholly-owned subsidiaries of the Company and the existing members of HH1 and HH2 became members of Weldon Manor, LLC, with no change occurring to the members' respective ownership percentages.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing these financial statements.

### **Estimates and critical judgments by management**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities.

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## Weldon Manor, LLC

### Notes to the Consolidated Financial Statements

(Expressed in United States Dollars)

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For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017

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## 2. Significant accounting policies

### Estimates and critical judgments by management (continued)

The areas which require management to make critical judgments include:

- *Impairment of equipment*

The impairment of equipment is influenced by judgment in defining a cash-generating unit and determining the indicators of impairment and estimates used to measure impairment losses. The Company is required to measure the recoverable amount of equipment when there are indicators that its carrying value may be impaired. The assessment of any impairment of equipment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of the assets.

- *Useful lives and depreciation of equipment*

The depreciation methods and useful lives reflect the pattern in which management expects the assets' future economic benefits to be consumed by the Company. Judgments are required in determining these expected useful lives.

- *Business combinations*

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates. The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. In an asset acquisition, acquisition-related costs are capitalized to the carrying values of the net assets acquired. The excess of the consideration paid over the acquisition-date fair values of the net assets acquired, is recognized as intangible assets as of the acquisition date in an asset acquisition.

The areas which require management to make significant estimates and assumptions include:

- *Inventory*

The Company reviews the net realizable value of, and demand for, its inventory regularly to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends.

- *Fair value of financial instruments*

Determining the fair value requires judgment and is based on market prices or management's best estimate if there is no active market. When the fair value of a financial instrument cannot be derived from an active market, it is determined using other valuation techniques including discounted cash flows. The inputs to these models are taken from observable markets where possible, however, when not feasible, a degree of judgment is required in establishing fair values. The estimate includes consideration of inputs such as liquidity risk and credit risk. Changes in the assumptions about these factors may affect the reported fair value of financial instruments.

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## Weldon Manor, LLC

### Notes to the Consolidated Financial Statements

(Expressed in United States Dollars)

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For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017

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#### 2. Significant accounting policies (continued)

##### New accounting policies

###### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments became effective on January 1, 2018. These financial statements are the first set of financial statements prepared by the Company. The effect of applying this standard effective January 1, 2018, had no impact on the Company's comparative financial statements as at and for the year ended December 31, 2017, included herein.

###### IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 became effective on January 1, 2018. As the Company had no revenue during the year ended December 31, 2017, there was no impact on the financial statements for the year then ended on adoption of this standard effective January 1, 2018.

##### Financial instruments

All financial instruments are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

###### Classification and measurement of financial assets and liabilities

A financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Company classifies its financial instruments in the following categories based on the purpose for which the asset was acquired: FVTPL, amortized cost and FVOCI. The Company's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Measurement Category	Subsequent measurement
Cash	FVTPL	Fair value
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Accounts payable to related parties	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Obligation under finance lease	Amortized cost	Amortized cost

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## **Weldon Manor, LLC**

### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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#### **2. Significant accounting policies (continued)**

##### **Impairment**

###### Financial assets

An 'expected credit loss' ("ECL") model applies to financial assets measured at amortized cost. The Company's receivables and deposits are measured at amortized cost and are therefore subject to the ECL model.

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset (a "loss event"), and that loss event has an impact on the estimated future cash flows of that asset. Objective evidence may include significant financial difficulty of the debtor/obligor and/or delinquency in payment. When impairment has occurred, the cumulative loss is recognized in profit or loss.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses may be reversed in subsequent periods.

###### Non-financial assets

Non-financial assets comprise equipment and intangible asset, and are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. Value in use is based on the estimated cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

##### **Cash**

Cash is comprised of deposits in financial institutions, and cash on hand.

##### **Inventory**

Inventory includes raw materials, finished goods, and packaging and supplies. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the average costing method. Net realizable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory identified is written-down to the net realizable value.

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## **Weldon Manor, LLC**

### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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#### **2. Significant accounting policies (continued)**

##### **Equipment**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced parts are derecognized. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, using the following terms and methods:

- |                                       |                         |
|---------------------------------------|-------------------------|
| • Furniture and fixtures              | 5 Years                 |
| • Vehicle                             | 6 Years                 |
| • Manufacturing equipment             | 5 Years                 |
| • Manufacturing equipment under lease | 3 Years (term of lease) |

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgement; therefore, the resulting depreciation is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

##### **Equipment Under Finance Lease**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**2. Significant accounting policies (continued)****Revenue recognition**

Revenue is recognized when control of the goods has transferred to the purchaser and the collectability is reasonably assured. This is generally when goods have been delivered, which is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts and incentives but inclusive of freight.

For the years ended December 31, 2018, and 2017, there were no allowances, discounts, or rebates recorded against revenues.

**Cost of sales**

Cost of sales includes cost of inventory expensed, packaging costs, and shipping costs and related labour and payments of the facility lease, in periods where revenue was earned.

**Intangible asset**

Intangible asset represents amounts paid for domain names/websites, product formulations, and branding acquired from an asset acquisition.

At the end of each reporting period, the Company reviews the carrying amounts of its intangible asset to determine whether there is any indication of impairment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within the non-financial assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.



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## **Weldon Manor, LLC**

### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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#### **2. Significant accounting policies (continued)**

##### **Income taxes**

Income tax expense is recognized in profit or loss based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end. For the year ended December 31, 2018, Federal and State income tax expense totaled \$nil (2017 –\$nil). Additionally, the Company and its subsidiaries were treated as limited liability companies and, accordingly, taxable income and losses flowed through to the respective members.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery, if any, are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that substantive enactment occurs. At December 31, 2018, and 2017, no deferred income tax assets or liabilities were recorded by the Company.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product (inventory). This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

##### **Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

##### *Effective for annual periods beginning on or after January 1, 2019*

##### *New standard IFRS 16 - Leases*

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The extent of the impact of adoption of the standard has not yet been determined. However, upon adoption of IFRS 16, the facility lease described in Note 15 will likely constitute a right-of-use asset which will be included in equipment, with a corresponding lease obligation (obligation under finance lease).

##### *New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The Company has determined that there will be no material reporting changes as a result of adopting the Interpretation.

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## Weldon Manor, LLC

### Notes to the Consolidated Financial Statements

(Expressed in United States Dollars)

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For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017

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#### 3. Acquisition of Mighty Meds

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations. The Company and the Sellers are at arm's length, and are not considered related parties.

As the acquired assets did not qualify as a business according to the definition of IFRS 3, *Business Combinations*, the acquisition does not constitute a business combination; rather it is treated as an acquisition of assets including inventory, and intangible asset which is attributable collectively to the domain names/websites, product formulations, and branding acquired.

	December 7, 2017
<b>Net assets acquired:</b>	<b>\$</b>
Inventory	37,096
Intangible asset	512,904
<b>Total</b>	<b>550,000</b>
<b>Present value of consideration paid:</b>	
	<b>\$</b>
Long-term debt (Note 8)	390,407
<b>Total</b>	<b>390,407</b>

In accordance with the Agreement, and prior to the amendment discussed below, the Company was required to make cash payments totalling \$550,000 as follows:

- \$30,000 from January 2018 to June 2018 (a minimum of \$5,000 per month); and
- \$520,000 from July 2018 to October 2022 (a minimum of \$10,000 per month).

The fair value of the consideration totalling \$550,000, using a discount rate of 15% over the term of the payment schedule was \$390,407, resulting in a discount of \$159,593 (interest income) which will be accreted (interest expense) to its face value over the term of the long-term debt.

During the year ended December 31, 2018, the Company made cash payments of \$50,000 (2017 - \$nil) towards the purchase price consideration payable which was applied against long-term debt. As at December 31, 2018, the undiscounted amount of the balance payable to the Sellers was \$500,000 (2017 - \$550,000) (long-term debt).

Subsequent to December 31, 2018, on April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to \$200,000 (Note 19).

The balance payable by the Company is personally guaranteed by the Company's CEO.

#### Intangible asset:

A continuity of the intangible asset is as follows:

	December 31, 2018	December 31, 2017
	<b>\$</b>	<b>\$</b>
Opening balance	512,904	-
Additions	-	512,904
Impairment	(512,904)	-
	-	512,904

As at December 31, 2018, the Company recorded an impairment of intangible asset in the amount of \$512,904. During the year then ended, the Company determined that there were indicators that the carrying value of the intangible asset was impaired. These impairment indicators included, but are not limited to, underperforming sales of the product line, and the resulting downward revision to the consideration payable agreed upon between the Company and the Seller which occurred subsequent to December 31, 2018.

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**4. Receivables**

Receivables consist of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	45,972	-
Allowance for doubtful accounts	(2,351)	-
	<b>43,621</b>	<b>-</b>

During the year ended December 31, 2018, the Company recorded a loss provision against receivables for estimated bad debt expense in the amount of \$2,351 (2017 - \$nil), presented within administrative expenses (Note 13(a)).

**5. Prepaid expenses and deposits**

Prepaid expenses and deposits consist of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Prepaid expenses:</b>		
Prepaid permitting costs	5,828	11,656
	<b>5,828</b>	<b>11,656</b>
<b>Deposits:</b>		
Security deposit on Facility Lease (Note 15)	100,000	100,000
Equipment lease deposit (Note 9)	4,500	4,500
	<b>104,500</b>	<b>104,500</b>

**6. Inventory**

Inventory consists of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>\$</b>	<b>\$</b>
Raw materials	54,660	117,869
Concentrates (finished goods)	57,541	6,886
Pre-rolls (finished goods)	88,256	2,025
Packaging and supplies	35,279	15,916
	<b>235,736</b>	<b>142,696</b>

During the year ended December 31, 2018, the Company wrote-down inventory in the amount of \$5,813 (2017 - \$nil) included within cost of sales.

During the year ended December 31, 2018, the portion of cost of sales relating specifically to inventory amounted to \$915,237 (2017 - \$nil).

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**7. Equipment**

	<b>Furniture and fixtures</b>	<b>Vehicle</b>	<b>Manufacturing equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>Cost</u></b>				
December 31, 2016	-	-	-	-
Additions	3,823	-	18,351	22,174
December 31, 2017	3,823	-	18,351	22,174
<b><u>Accumulated depreciation</u></b>				
December 31, 2016	-	-	-	-
Depreciation	765	-	3,670	4,435
December 31, 2017	765	-	3,670	4,435
<b><u>Cost</u></b>				
December 31, 2017	3,823	-	18,351	22,174
Additions	973	21,600	137,586	160,159
<b>December 31, 2018</b>	<b>4,796</b>	<b>21,600</b>	<b>155,937</b>	<b>182,333</b>
<b><u>Accumulated depreciation</u></b>				
December 31, 2017	765	-	3,670	4,435
Depreciation	959	4,320	40,120	45,399
<b>December 31, 2018</b>	<b>1,724</b>	<b>4,320</b>	<b>43,790</b>	<b>49,834</b>
<b><u>Net book value</u></b>				
December 31, 2017	3,058	-	14,681	17,739
<b>December 31, 2018</b>	<b>3,072</b>	<b>17,280</b>	<b>112,147</b>	<b>132,499</b>

Included in manufacturing equipment is equipment under finance lease. As at December 31, 2018, equipment under finance lease had a carrying amount of \$44,667 (2017 - \$nil). During the year ended December 31, 2018, depreciation of equipment under finance lease included within cost of sales is \$22,333 (2017 - \$nil).

During the year ended December 31, 2018, depreciation was allocated as follows:

- \$44,440 (2017 - \$nil) within cost of sales relating to vehicle, and manufacturing equipment; and
- \$959 (2017 - \$4,435 furniture and fixtures, and manufacturing equipment) within operating expenses relating to furniture and fixtures.

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**8. Long-term debt**

	December 31, 2018	December 31, 2017
	\$	\$
a) <b>Vehicle loan</b>		
Opening balance	-	-
Additions	21,600	-
Repayments	(2,862)	-
	<b>18,738</b>	-
<b>Acquisition of Mighty Meds (Note 3)</b>	\$	\$
Opening balance	390,407	-
Additions	-	390,407
Repayments	(50,000)	-
Accretion expense	33,019	-
	<b>373,426</b>	390,407
Less: current portion	125,124	90,000
<b>Long-term debt</b>	<b>267,040</b>	300,407

a) Vehicle loan:

During the year ended December 31, 2018, the Company financed the purchase of a vehicle (Note 7) used within the Company's procurement and sales activities. The vehicle cost \$21,600 including applicable sales taxes and fees and was financed entirely by the seller (the "Vehicle Loan").

The Vehicle Loan is repayable in monthly installments, financed at an annual percentage rate of 12.39%, and maturing on May 23, 2024. Payments are due as follows:

- 71 monthly payments of \$427 beginning on June 23, 2018; and
- 1 final payment of \$390 on May 23, 2024.

The Vehicle Loan is personally guaranteed by the Company's CEO.

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**9. Obligation under finance lease**

	<b>December 31, 2018 \$</b>	<b>December 31, 2017 \$</b>
Opening balance	-	-
Additions	67,000	-
Repayments	(6,300)	-
Finance costs	3,484	-
	<b>64,184</b>	-
Less: current portion	32,132	-
<b>Long-term portion</b>	<b>32,052</b>	-

Obligation under finance lease is payable to a single commercial lessor for the lease of various manufacturing equipment under a single lease agreement with interest of approximately 2.3%, and a term of 37 months maturing in December 2021. On maturity of the finance lease, the Company has a purchase option to buy the equipment at fair market value. The finance lease is personally guaranteed by the Company's CEO.

During the year ended December 31, 2017, the Company paid a deposit of \$4,500 (Note 5) which will either be refunded or applied towards the purchase option at maturity of the finance lease.

The finance lease commenced during the year ended December 31, 2018 (on November 15, 2018), in which the Company incurred finance costs of \$7,323 (2017 - \$3,270) which represented interest expense of \$3,484 (2017 - \$nil) implicit in the lease, with the remainder attributable to holding costs paid prior to the commencement date of the lease.

Future minimum lease payments under the finance lease are scheduled as follows:

	<b>Lease payments \$</b>
<b>Year</b>	
2019	32,132
2020	32,132
2021	29,075
	93,339
Future finance charges	(29,155)
	<b>64,184</b>

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**10. Members' equity**

The authorized members' equity of the Company consists of Membership Units ("Units") designated as follows:

- Two classes of Units designated as Preferred Units:
  - Class A Preferred Units; and
  - Class B Preferred Units.
- One class of Units designated as Common Units:
  - Class A Common Units ("Common Units").

Class A Preferred Units and Class B Preferred Units take equal priority on distributions equal to \$0.90 per unit. Common Units take priority thereafter. In the event of liquidation, Class A Preferred Units take first priority, Class B Preferred Units take second priority, and Common Units take final priority on liquidation.

**Transactions for the issue of Membership Units during the period ended December 31, 2017:**

- The Company issued 6,111,667 Common Units on incorporation to the Company's CEO (the Company's Founder) for proceeds of \$100.
- The Company issued 444,445 Class B Preferred Units to various arm's length parties at \$0.90 per Unit for proceeds of \$400,000.

**Transactions for the issue of Membership Units during the year ended December 31, 2018:**

- The Company issued 2,222,222 Class A Preferred Units to a significant shareholder at \$0.30 per Unit for proceeds of \$666,667.
- The Company issued 611,111 Class B Preferred Units at \$0.90 per Unit for proceeds of \$550,000.

During the year ended December 31, 2018, and the period ended December 31, 2017, there was \$nil cash distributions to members.

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## Weldon Manor, LLC

### Notes to the Consolidated Financial Statements

(Expressed in United States Dollars)

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For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017

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#### 11. Related party transactions and balances

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the years ended December 31, 2018 and 2017 are as follows:

	2018 \$	2017 \$
Management fees	105,250	22,000
Marketing	15,000	-
	<b>120,250</b>	<b>22,000</b>

As at December 31, 2018, accounts payable to related parties included:

- \$9,100 (2017 - \$nil) due to the CEO of the Company for expense reimbursements and accrued management fees; and
- \$5,000 due to the VP Business Development of the Company for accrued marketing fees.

These amounts are unsecured, non-interest bearing and are due on demand.

#### 12. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as members' equity.

The Company has historically relied on financing from the issuance of Units, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.



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## **Weldon Manor, LLC**

### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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#### **13. Financial risk management and financial instruments**

##### **Fair value of financial instruments**

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and obligation under finance lease also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

##### **Economic dependence**

The Company derives 39% (2017 – 0%) of its revenues from four customers who individually make up more than 9% of revenues. These customers accounted for \$181,189 of revenue during the year ended December 31, 2018 (2017 - \$nil).

##### **Financial instruments - risk**

The Company is exposed to varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is as follows:

##### **(a) Credit risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure to the Company is the carrying amount of cash, and receivables.

Most of the Company's cash is held with a major U.S. financial institution, and management believes the exposure to credit risk with respect to the financial institution is not significant.

The Company is exposed to credit risk inherent in its trade receivables which include credit exposures to customers and their outstanding trade receivables balances.

##### Impairment of financial assets

The Company's sole financial asset that is subject to the expected credit loss model is trade receivables arising from product revenue. While cash is also subject to the impairment requirements of IFRS 9, the risk is insignificant.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on specific credit risk characteristics, debtor circumstances, and the days past due. The volume of debtors in these respective categories is low. The expected loss amounts are based on payment profiles since commencement of revenue-generating activity during the year ended December 31, 2018, and the corresponding historical credit losses experienced within this period for these debtors. The historical loss rates, if any, are considered and adjusted in respect of aged trade receivables to reflect current and forward-looking information on factors specific to the customers' ability to settle the amounts.

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**13. Financial risk management and financial instruments****(a) Credit risk (continued)**

On this basis, the loss allowance as at December 31, 2018 was determined as follows for trade receivables:

	Current \$	30+ days overdue \$	60+ days overdue \$	90+ days overdue \$	Total \$
Gross carrying amount - trade receivables	-	-	-	2,351	2,351
<b>Loss provision</b>	-	-	-	<b>2,351</b>	<b>2,351</b>

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan, and a failure by the debtor to make contractual payments for a period of greater than 90 days past due, or shorter if specific circumstances suggest otherwise.

Loss provisions are included within administrative expenses. Subsequent recoveries of amounts previously written-off are credited against the same line item. During the year ended December 31, 2017, there were no impairments of financial assets, as there were no trade receivables or other financial assets that warranted impairment or loss provisions.

As at December 31, 2018, 78% of trade receivables were due from three customers (December 31, 2017 – 0%). As at December 31, 2018, an expected credit loss of \$2,351 was recognized on trade receivables for a single customer for which there is minimal expectation for future repayment (2017 - \$nil).

**(b) Interest rate risk**

The Company is exposed to interest rate risk because of fluctuating interest rates on its cash balances held on deposit in a financial institution. Management does not believe that the Company's exposure to interest rate risk is significant. The Company does not have any interest-bearing debt instruments with variable rates.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at December 31, 2018, the Company had \$46,676 in cash to settle current liabilities in the amount of \$245,588. The Company will require additional funding to meet its ongoing obligations, as discussed in Note 1.

**(d) Price risk**

The Company is exposed to price risk with respect to movements in market prices for goods which may impact revenue, cost of sales and the results of operations. The Company closely monitors demand and market prices of its finished goods and raw materials to determine the appropriate course of action to be taken by the Company.

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## Weldon Manor, LLC

### Notes to the Consolidated Financial Statements

(Expressed in United States Dollars)

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For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017

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#### 14. Segmented information

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

The Company operates in a single reportable segment, being the manufacture and distribution of cannabis pre-roll and extract products in the United States within the State of California. All of the Company's revenue were generated through sales in the State of California, and all of the Company's equipment is located in California.

#### 15. Commitments

##### Facility Lease:

On August 28, 2017, the Company entered into an Agreement for Lease (the "Lease") with an arm's length party for the lease of approximately 37,000 sq. ft. of a building to be used as its head office and manufacturing facility. The lease has a term of five years commencing on September 1, 2017, until August 31, 2022. The Facility Lease is renewable for three additional 5-year terms at the option of the Company.

During the year ended December 31, 2017, the Company paid the landlord a security deposit in the amount of \$100,000 (Note 5).

The Company's minimum annual commitment is as follows:

Year	Future payments \$
2019	778,281
2020	778,281
2021	778,281
2022	518,854
	<b>2,853,697</b>

The Facility Lease payments are personally guaranteed by the Company's CEO.

#### 16. Supplemental cash flow information

During the year ended December 31, 2017, the Company completed the acquisition of Mighty Meds (Note 3) resulting in the recognition of inventory, intangible asset, and long-term debt on completion of the acquisition.

During the year ended December 31, 2018, the Company incurred non-cash investing activities as follows:

	December 31, 2018 \$	December 31, 2017 \$
Non-cash investing activities:		
Equipment addition (vehicle) financed by long-term debt	21,600	-
Equipment additions pursuant to finance lease	67,000	-

During the years ended December 31, 2018, and December 31, 2017, the Company paid \$5,000 (2017 - \$nil) in interest expense, and \$nil (2017 - \$nil) for income tax expense.

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**Weldon Manor, LLC****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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**17. Income taxes**

Income tax (expense) recovery varies from the amount that would be computed from applying the combined federal and state corporate income tax rate to income (loss) before income taxes as follows:

	<b>December 31, 2018 \$</b>	<b>December 31, 2017 \$</b>
Loss before income taxes	(1,491,379)	(101,208)
Effective rate	27.98%	39.83%
Anticipated income tax (expense) recovery	417,000	40,311
Change in tax resulting from:		
Permanent differences and other	(236,000)	-
Adjustment to prior years provision versus statutory returns	1,000	-
Unrecognized items for tax purposes	(182,000)	(40,311)
<b>Income taxes</b>	<b>-</b>	<b>-</b>

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rate from 34% to 21% applicable to the Company's US subsidiaries.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of the product for US tax purposes. Although proper deductions for cost of goods sold are generally allowed to determine gross income, the scope of such items has been the subject of debate, and deductions for significant costs may not be permitted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Thus, the operations of the Company and its subsidiaries may be subject to United States federal tax, without the benefit of certain deductions or credits.

The significant components of the Company's deferred tax assets that have not been included on the statements of financial position are as follows:

	<b>2018 \$</b>	<b>2017 \$</b>
<b>Deferred tax assets (liabilities)</b>		
Equipment	14,000	-
Non-capital loss carry forwards	168,000	-
	182,000	-
Unrecognized deferred tax assets	(182,000)	-
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

The significant components of the Company's temporary differences that have not been included on the statements of financial position are as follows:

	<b>2018 \$</b>	<b>Expiry Date Range</b>	<b>2017 \$</b>	<b>Expiry Date Range</b>
<b>Temporary differences</b>				
Equipment	50,000	No expiry date	-	N/A
Net operating losses available for future periods	600,000	No expiry date	-	N/A

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## **Weldon Manor, LLC**

### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

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**For the year ended December 31, 2018 and the period from incorporation on January 13, 2017 to December 31, 2017**

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#### **18. Short-term loan**

Effective February 22, 2018, the Company entered into a Loan Agreement for \$50,000 with a private arm's length lender. The loan matured on August 31, 2018 and bore interest at 10% per annum.

During the year ended December 31, 2018, the Company repaid the loan in full via monthly repayments, and also incurred \$5,000 in interest expense. As at December 31, 2018, there is no further balance due on this loan.

#### **19. Subsequent events**

##### Amendment to Mighty Meds acquisition:

On April 25, 2019, the Company and the Sellers amended the Agreement in respect of the Mighty Meds acquisition (Note 3) to reduce the purchase price payable to \$200,000.

In accordance with the Amendment, the Company is required to make payments as follows:

- \$3,000 from May 2019 to July 2019 (\$1,000 per month);
- \$15,000 from August 2019 to October 2019 (\$5,000 per month);
- \$132,000 from November 2019 to December 2020 (\$10,000 per month until the balance is paid in full).

##### Proposed Transaction:

As discussed in Note 1, on April 30, 2019, the Company entered into an LOI with 5600 BC. The LOI was superseded by a Securities Exchange Agreement dated July 9, 2019, between 5600 BC, the Company, and the Company's members.

Effective November 8, 2019, the Transaction closed whereby 5600 BC acquired all of the issued and outstanding membership interests of the Company by the issuance of 60,000,000 common shares of 5600 BC to the members of the Company (of which 8,580,000 were issued to 5600 BC in respect of its membership interest in the Company which were subsequently returned to treasury). Additionally, 5600 BC issued 1,200,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, 5600 BC's common shares will be listed on the CSE. All issued and outstanding common shares of 5600 BC will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE.

##### Loan Agreement with 5600 BC:

On July 8, 2019, and as amended on August 26, 2019, and October 2, 2019, the Company entered into a loan agreement with 5600 BC for the purpose of obtaining working capital funds until closing of the Transaction. Under the loan agreement, the Company may receive up to \$475,000 from 5600 BC. Interest is payable at 8% per annum, and the loan is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019.

**SCHEDULE D**

**WELDON MANOR LLC MANAGEMENT'S DISCUSSION AND  
ANALYSIS FOR THE PERIOD FROM JANUARY 13, 2017 (DATE OF  
INCORPORATION) TO DECEMBER 31 2017 FOR THE YEAR ENDED  
DECEMBER 31, 2018 AND FOR THE SIX MONTH PERIOD ENDED  
JUNE 30, 2019**

# Weldon Manor, LLC

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**Management's Discussion & Analysis**  
**For the six months ended June 30, 2019**  
Expressed in United States Dollars

# **Weldon Manor, LLC**

For the Six Months Ended June 30, 2019

## **Management's Discussion & Analysis**

Expressed in United States Dollars

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This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operations of Weldon Manor, LLC. ("Weldon Manor" or the "Company") should be read in conjunction with Weldon Manor's audited consolidated financial statements for the year ended December 31, 2018, and the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2019, and accompanying notes therein. This MD&A is dated November 14, 2019, which is the date that the Board of Directors of the Company (the "Board") approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

### **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" section below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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## **Weldon Manor, LLC**

For the Six Months Ended June 30, 2019

### **Management's Discussion & Analysis**

Expressed in United States Dollars

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#### **CORPORATE OVERVIEW**

Weldon Manor, LLC (the "Company") was incorporated on January 13, 2017 as a Limited Liability Company (LLC) in the State of California, USA. Its head office and registered office address is 212 - 9921 Carmel Mtn RD, San Diego, CA, 95023. The Company, collectively with its subsidiaries, operates exclusively in the State of California where the legal commercial production and vending of marijuana is permitted by California state law under *Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)*. The Company is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California.

The Company operates as a licensed manufacturer and distributor of recreational cannabis and cannabis products, and distributes its products through an arrangement with a cannabis distributor to licensed cannabis vendors in California. The Company commenced revenue generating activity during the year ended December 31, 2018. Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

#### **CORPORATE OUTLOOK AND PROPOSED TRANSACTION**

##### **Corporate Outlook**

In March of 2017, the Company commenced construction of a large legal cannabis company. The Company has a 35,000 sq. ft. facility that is being developed in phases. In August 2017, the Company was approved to have cannabis in the building, and operate on December 29, 2017 just in time for *Adult-Use* legalization to take effect on January 1, 2018.

Weldon Manor, LLC is the management company for Hollister Holistics 1 and Hollister Holistics 2, (Collectively the "Company" or "Hollister Cannabis Company") which both operate in the legal cannabis industry in California. Hollister Cannabis Company manufactures hash, tinctures, hash infused products, crumble infused products, pre-rolls, and other cannabis products under their brands HashBones, Purity Petibles, Hollister Cannabis Co., and as white label products for other companies. Pre-rolls are the most produced product at Hollister Cannabis Company. Cannabis flower is purchased from select vendors and carefully ground removing any waste material and stems. The pre-rolls are machine filled and every pre-roll is precisely weighed to ensure it meets State of California requirements for variance.

Currently, the most widely distributed product manufactured at Hollister Cannabis Company is the HashBone which is a 25% hash 75% flower pre-roll which is made in small batches with only premium flower and artisanal bubble hash. Hollister Cannabis Company Bubble Hash is made with purified water and ice in hash wash machines. It is dried in state of the art freeze dryers and strained and grammed in concentrate jars. Purity Petibles 20:1 CBD pet tincture is manufactured using full spectrum CBD, organic MCT and gourmet chicken flavor. All of the ingredients in Purity Petibles is food grade and the Company has received very positive feedback for this product. There are several white label products manufactured at Hollister Cannabis Co including crumble infused pre-rolls, 1/8<sup>th</sup> and grammed flower, and pre-rolls. The Company uses an automated process that fills vape cartridges, capsules, tincture bottles and more. There are potential white label projects for this equipment. Most products are packaged, labeled, and prepared for distribution prior to leaving Hollister Cannabis Company. The Company employees an extremely efficient Auto Labe labeling machine for any round vessel, and a blister pack machine.

Hollister Cannabis Company is currently operating in 2,800 sq. ft. of the 35,000 sq. ft. facility. The available space will house several projects that are currently under development including NanoPure, nano emulsified cannabis concentrate which will be sold both wholesale as an ingredient for other companies and power products for Hollister Cannabis Company. The first product to be launched is a fast acting sublingual spray. Beverages, edibles, and capsules will soon be produced.

Hollister Cannabis Company is licensed by the city of Hollister and the State of California for Manufacturing and Distribution. The Company is licensed by the city of Hollister for Cultivation and has applied to the State of California for a Cultivation license. The City of Hollister is preparing to put forward regulations that will allow the Company to apply for statewide delivery.

The Company has a very close relationship with Indus Distribution (CSE:INDS). Indus handles all sales and branded product fulfillment efforts to California dispensaries.

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## **Weldon Manor, LLC**

For the Six Months Ended June 30, 2019

### **Management's Discussion & Analysis**

Expressed in United States Dollars

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#### **Proposed Transaction**

##### Securities Exchange Agreement with 5600 BC:

On April 30, 2019, the Company entered into a letter of intent ("LOI") with Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) ("5600 BC") a private company incorporated on April 17, 2019, whereby 5600 BC will acquire all of the issued and outstanding membership interests of the Company (the "Transaction") and seek a public listing on the Canadian Securities Exchange ("CSE"). The LOI was superseded on July 9, 2019, by a Securities Exchange Agreement.

Effective November 8, 2019, the Transaction closed whereby 5600 BC acquired all of the issued and outstanding membership interests of the Company by the issuance of 60,000,000 common shares of 5600 BC to the members of the Company (of which 8,580,000 were issued to 5600 BC in respect of its membership interest in the Company which were subsequently returned to treasury). Additionally, 5600 BC issued 1,200,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, 5600 BC's common shares will be listed on the CSE. All issued and outstanding common shares of 5600 BC will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE.

##### Loan Agreement with 5600 BC:

On July 8, 2019, and as amended on August 26, 2019, and October 2, 2019, the Company entered into a loan agreement with 5600 BC for the purpose of obtaining working capital funds until closing of the Transaction. Under the loan agreement, the Company may receive up to \$475,000 from 5600 BC. Interest is payable at 8% per annum, and the loan is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019.

#### **OVERALL PERFORMANCE**

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgment in order to ensure that our consolidated financial statements are presented fairly and in accordance with IFRS. All amounts in this MD&A are presented in U.S. dollars, unless otherwise noted.

The following discussion of the Company's financial performance is based on the unaudited condensed interim consolidated financial statements for six months ended June 30, 2019.

For information in regarding the Company's total assets and liabilities, refer to "Liquidity and Capital Resources" below.

#### **Mighty Meds Purchase Price Revision**

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations. The Company treated the acquisition as an acquisition of assets including inventory, and intangible asset which was attributable collectively to the domain names/websites, product formulations, and branding acquired.

During the six months ended June 30, 2019, the Company made cash payments of \$2,000 towards the purchase price consideration payable which was applied against long-term debt.

On April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to \$200,000. In accordance with the Amendment, the Company is required to make payments as follows:

- \$3,000 from May 2019 to July 2019 (\$1,000 per month) (\$2,000 completed as at June 30, 2019);
- \$15,000 from August 2019 to October 2019 (\$5,000 per month);
- \$132,000 from November 2019 to December 2020 (\$10,000 per month until the balance is paid in full).

As at June 30, 2019, the undiscounted amount of the balance payable to the Sellers was \$148,000 (December 31, 2018 - \$500,000).

The balance payable by the Company is personally guaranteed by the Company's CEO.

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## Weldon Manor, LLC

For the Six Months Ended June 30, 2019

### Management's Discussion & Analysis

Expressed in United States Dollars

#### Members' Equity Restructuring

During the six months ended June 30, 2019, the Company amended its authorized members' equity structure. The Company's former structure consisted of the following Units as at December 31, 2018:

- Two classes of Units designated as Preferred Units:
  - Class A Preferred Units; and
  - Class B Preferred Units.
- One class of Units designated as Common Units:
  - Class A Common Units ("Common Units").

As at June 30, 2019, there were 60,000,000 Common Units issued and outstanding.

#### Transactions for the issue of Membership Units during the six months ended June 30, 2019:

- The Company completed a restructuring of its members' equity such that 2,222,222 Class A Preferred Units, and 1,055,556 Class B Preferred Units were replaced with 53,078,333 Common Units.
- The Company issued 810,000 Common Units at \$0.185 per Unit for proceeds of \$150,000.

#### RESULTS OF OPERATIONS

For the six months ended June 30, 2019 and June 30, 2018:

	June 30, 2019 \$	June 30, 2018 \$
Revenue	428,227	99,175
Gross margin	(133,342)	(301,273)
Operating expenses	(305,773)	(97,339)
Loss and comprehensive loss	(183,679)	(400,278)
Gross margin (%)	-31%	-304%

Revenue for the six months ended June 30, 2019, increased by approximately \$329,000 or 332% as the Company increased sales of existing products (pre-rolls and vape cartridges), commenced sales of new product lines, and commenced contract manufacturing services in April 2019. In terms of product sales, the Company through its cannabis distributor (which began as the Company's distribution partner in September 2018), has expanded its customer base in terms the number of licensed cannabis vendors in California which purchase the Company's products through the distributor.

The composition of revenue for the six months ended June 30, 2019, included the following:

- \$144,221 – Hash Bone (as described in "Corporate Outlook" above)
- \$112,485 – pre-rolls
- \$75,363 – contract manufacturing services
- \$68,738 – vape cartridges
- \$27,420 – other product sales

Comparatively, the composition of revenue for the six months ended June 30, 2018, was substantially comprised of sales of vape cartridges which totaled \$81,782, or 82% of revenue.

Gross margin remained negative for the six months ended June 30, 2019, compared to the six months ended June 30, 2018, however, there was significant improvement in terms of the reduction of the negative gross margin on a percentage basis. A key component of cost of sales during the six months ended June 30, 2019 was depreciation of right-of-use assets of \$233,149 resulting from the transition to IFRS 16 – *Leases*, effective January 1, 2019. Although there was no such depreciation recorded in the comparative period, cost of sales for the six months ended June 30, 2018, included \$127,528 in rent expense which ceased to be recorded as a cost of sale item subsequent to the transition to IFRS 16 on January 1, 2019.

The portion of cost of sales that related specifically to inventory (product, labour, testing, and supplies) amounted to \$423,357 during the six months ended June 30, 2019 (2018 - \$93,800), or 99% (2018 – 95%) of revenue. Key drivers in percentage fluctuations of cost of sales relative to revenue is driven by fluctuating market prices of biomass inputs (product), as well as the addition of new production employees during the six months ended June 30, 2019.

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Operating expenses increased during the six months ended June 30, 2019, relative to the six months ended June 30, 2018 by approximately \$209,000 driven by increases in all components of operating expenses except licenses and permits, and marketing. The increase in expenses represented the continual evolution of the Company's activities and expansion of sales efforts including its increasing its sales mix and customer acquisition efforts. The most significant changes in operating expenses and other expenses were as follows:

- Gain on modification of long-term debt of \$255,436 which is a one-time gain arising from the difference between the present value of the Mighty Meds acquisition purchase price under the original purchase price, compared to the amended purchase price which was reduced by \$300,000.
- The recognition of first-time recurring expenses including accretion expense of \$13,107 in connection with the long-term debt, and finance costs of \$127,408 in connection with long-term debt and lease liabilities (non-cash expense),
- Management fees increased by \$66,000 as a result of increased compensation paid to the Company's key management personnel. Refer to details of key management compensation in the "Related Parties" section below.

With respect to cost of sales, the \$162,000 increase was driven by the recognition of \$221,982 in respect of depreciation expense on the Company's facility as a result of the adoption of IFRS 16, partially offset by a reduction in rent recorded within cost of sales associated with this facility of approximately \$181,000, also attributable to the change in accounting policy associated with IFRS 16, whereby lease payments when incurred are applied against the lease liability as opposed to expensed, and the facility recognized as a right-of-use asset is depreciated over the lease term. The increase in cost of sales was also attributable to increases in most other components including inventory expensed as cost of sales which occurred in direct correlation with an increase in revenue.

Loss and comprehensive loss decreased by approximately \$216,000 substantially due to the gain on modification of long-term debt. In the absence of such gain, loss and comprehensive loss would have increased by approximately \$39,000.

**SUMMARY OF QUARTERLY RESULTS**

Period Ending	Revenue \$	Income (Loss) and comprehensive Income
		(loss) \$
June 30, 2019	221,826	(1,979)
March 31, 2019	206,401	(181,700)
December 31, 2018	167,033	(912,097)
September 30, 2018	200,132	(179,004)
June 30, 2018	54,727	(268,472)
March 31, 2018	43,425	(131,806)
December 31, 2017	-	13,362
September 30, 2017	-	(100,090)

Quarter to quarter fluctuations in revenue have been driven by fluctuations in the normal course of business, the Company's overall growth efforts, significant customer acquisitions in recent periods, and the seasonality of product sales particularly in the third and fourth quarters. Moreover, the Company's sales mix has expanded during the periods ended in fiscal 2019, which is driving an upward trend in quarter-by-quarter revenue.

During the period ended September 30, 2017, the Company further expanded operations and entered into a facility lease agreement where in connection with increases in expenses such as office, management fees, and travel, the Company began incurring rent expense for its current facility in the amount of \$69,489 in respect of the "Facility Lease" discussed above within "Overall Performance".

During the period ended December 31, 2017, the Company maintained operations and expenses at comparable levels as to the previous period with a comparable composition of expenses. During this period the Company obtained initial permitting and it also completed the acquisition of the Mighty Meds branded inventory and related on December 7, 2017, see "Acquisition of Mighty Meds Inventory" above within "Overall Performance". The acquisition of the Mighty Meds inventory however, was not a significant driver in operating expenses for the period, although it was the primary component of professional fees for the year ended December 31, 2017. Moreover, accounting for the long-term debt representing consideration payable in the Mighty Meds asset acquisition, results in a discount being applied to the consideration payable, using a credit-adjusted discount rate. This gives rise to a one-time recognition of interest income, which was the cause for income earned during the period ended December 31, 2017. Accretion of the long-term debt over time causes this one-time recognition of interest income to be offset in subsequent periods through the recognition of accretion expense.

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During the period ended March 31, 2018, the Company commenced generating revenues through the sale of Mighty Meds cannabis oil-filled vape cartridges and accessories, as well as pre-rolls which are manufactured by the Company. Revenue for the period is substantially comprised of vape cartridge sales. Also during this period the Company began incurring charges within cost of sales such as the cost of inventory sold, the allocation of rent on its facility lease, lab testing, packaging, and security. Due to the allocations of certain previously classified operating expenses to cost of sale, the Company's operating expenses was mainly characterized by insignificant administrative expenses.

During the period ended June 30, 2018, revenues increased nominally and continued to be driven substantially by sales of the Mighty Meds oil-filled vape cartridges and accessories at slightly higher levels with an increase in sales of cannabis pre-roll products as well. Cost of sales increased directly as a result of increased sales efforts. Operating expenses also increased as driven by management fees, marketing expenses, and other contractor expenses.

During the period ended September 30, 2018, revenues increased due to a substantial increase in sales of pre-roll products which was partially offset by a significant decline in the sales of Mighty Meds oil-filled vape cartridges. Cost of sales also increased albeit at a lesser rate than that of revenues thereby decreasing the negative margin incurred and was characterized by the cost of cannabis biomass purchased in the production of pre-roll products. Operating expenses increased insignificantly and continued to be characterized by administrative expenses, management fees, and marketing expenses.

During the period ended December 31, 2018, revenues declined slightly as pre-roll sales decreased which was partially offset by an increase in sales of Mighty Meds oil-filled vape cartridges and accessories. The composition of cost of sales remained consistent with the prior period being mainly comprised of cannabis biomass purchases relating to the sale of pre-rolls, depreciation of manufacturing equipment, and facility lease (rent) costs. Operating expenses increased as a result of increased professional fees in respect of exploring opportunities in the cannabis industry including a potential public listing on the Canadian Securities Exchange, additional marketing expenses, and other fees paid to contractors for professional services. Lastly, the Company recognized the impairment of intangible asset in the amount of \$512,904 during this period. Moreover, the Company recorded a write-down of unsaleable inventory as certain finished goods did not pass testing procedures. The total inventory write-down recorded within cost of goods sold during the period ended December 31, 2018, was \$44,854. This was the first-time the Company had recorded a write-down of inventory.

During the period ended March 31, 2019, the revenues increased as the Company began sales of Hash Bone and other hash products which collectively totaled approximately \$75,000. Sales of vape cartridges and pre-rolls maintained levels comparative to previous periods. Operating expenses insignificantly decreased from the previous period and were characterized primarily by the recognition of increased depreciation as well as finance costs in respect of the adoption of IFRS 16, and higher professional fees and consulting, and management fees.

During the period ended June 30, 2019, revenues were relatively consistent with the previous period as sales of Hash Bone and other hash products increased, along with the commencement of service revenue by way of contract manufacturing and storage services amounting to \$76,551 in aggregate, and the commencement of sales of other products including extract pods and pet tinctures, which more than offset the decreases in vape cartridge and pre-roll sales. The composition of operating expenses were consistent with the previous period, with the addition of a one-time gain on modification of long-term debt which occurred in April 2019 as a result of the amended consideration payable pursuant to the Mighty Meds asset acquisition. The gain on modification of long-term debt is a one-time non-cash item.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as members' equity.

The Company has historically relied on financing from the issuance of Units, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2019.

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#### Liquidity and Financial Condition

As at June 30, 2019 and December 31, 2018:

	June 30, 2019 \$	December 31, 2018 \$
Cash	17,281	46,676
Receivables	110,999	43,621
Prepaid expenses	7,675	5,828
Inventory	222,474	235,736
Current assets	358,429	331,861
Equipment	1,787,535	132,499
Current liabilities	1,295,929	245,588
Non-current liabilities	1,380,393	299,092
Working capital (deficiency)	(937,500)	86,273
Members' equity (deficiency)	(425,858)	24,180

The Company's current assets increased by approximately \$26,000 in major part due to a decrease in cash and inventory which more than offset by an increase in receivables.

Equipment increased substantially due to the adoption of IFRS 16 which caused the recognition of an ROU asset in respect of the Company's facility lease.

The Company had a working capital deficiency resulting from the significant increase in current liabilities characterized by increases in accounts payable and accrued liabilities, accounts payable to related parties, and lease liabilities which increased due to the adoption of IFRS 16.

The Company is in a members' deficiency position due to the loss and comprehensive loss incurred during the period and the adoption of IFRS 16 which caused an downward adjustment to members' deficiency to give effect to the modified retrospective adoption of this standard. Details of which are further discussed in Note 2 to the Company's unaudited condensed interim consolidated financial statements. Fluctuations in cash are discussed below under "Cash flows".

#### Cash flows

During the six months ended June 30, 2019:

- Cash flows provided by operating activities were the result of net cash inflows from revenue activity as the Company incurred several non-cash items its loss and comprehensive loss during the period. Moreover, the Company conserved cash through utilizing available credit on accounts payable and accrued liabilities causing such balance to increase. Similarly, a significant portion of management fees were accrued and unpaid during the period to conserve cash. Refer to the "Results of Operations" above for details in respect of significant components of operating expenses.
- Cash flows used in investing activities comprised the minimal purchase of equipment totaling \$5,010.
- Cash flows used in financing activities totaled approximately \$260,000 (2018 – \$553,000 provided by financing activities) which was substantially driven by the repayments of lease liabilities which primarily includes payments on the Company's facility lease. This first-time recognition of this amount within financing activities is a result of the adoption of IFRS 16. Partially offsetting the repayments of lease liabilities was proceeds received from the issuance of Membership units in the amount of \$150,000 during the period.

#### OUTSTANDING SHARE DATA

As at the date of this MD&A, the Transaction with 5600 BC closed, and there were no equity securities issued and outstanding by the Company. All issued and outstanding equity securities are of the resulting issuer in connection with the Transaction. There are no stock options or warrants outstanding as issued by the Company.

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**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Fair value of financial instruments**

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and lease liabilities also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

Details of the Company's financial instrument related risks including credit risk, interest rate risk, liquidity risk, and price risk are detailed in Note 13 of the financial statements.

The Company's potential sources of cash flow in the upcoming year will be from possible equity or debt financings, completion of the Proposed Transaction, and/or contributions from key management and Members.

**Economic dependence**

The Company derived 42% (2018 – 99%) of its revenues from its top five customers who individually make up from 6% to 11% of revenues (2018 – 10% to 45%). These customers accounted for \$179,487 of revenue during the six months ended June 30, 2019 (2018 - \$98,517).

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as at June 30, 2019, and December 31, 2018, and as at the date hereof.

**RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the six months ended June 30, 2019 and 2018, are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Management fees	87,500	21,500
Marketing	-	5,000
	<b>87,500</b>	<b>26,500</b>

Management fees for the six months ended June 30, 2019 were paid to the Company's CEO, VP Production, and VP Business Development.

As at June 30, 2019 and December 31, 2018, accounts payable to related parties included the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Due to CEO - expense reimbursements and management fees	38,600	9,100
Due to VP Business Development - management fees	12,500	-
Due to VP Business Development - marketing fees	5,000	5,000
Due to VP Production - management fees	29,500	-
	<b>85,600</b>	<b>14,100</b>

These amounts are unsecured, non-interest bearing and are due on demand

## **Weldon Manor, LLC**

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#### **USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities.

Details of the areas which require management to make critical estimates and judgments are disclosed in Note 2 of audited annual financial statements for the year ended December 31, 2018. There were no changes to the areas of critical estimates and judgments during the six months ended June 30, 2019.

#### **ACCOUNTING STANDARDS AND INTERPRETATIONS**

##### **New standards adopted during the period**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

*Effective for annual periods beginning on or after January 1, 2019*

##### **New standard IFRS 16 - Leases**

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It was effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would have formerly been accounted for as operating leases.

The Company has a lease on its building premises (facility). In the context of IFRS 16, an ROU asset of \$1,943,883 and a lease liability of \$2,360,242 was recognized as at January 1, 2019, in accordance with the modified retrospective approach. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 10% on January 1, 2019. The ROU asset (recognized within property and equipment) was measured at an amount equal to the corresponding initial lease liability. The Company also has a lease on manufacturing equipment. The adoption of this new standard did not have an impact on the accounting for the lease of manufacturing equipment.

On adoption, the following practical expedients were permitted by IFRS 16, but were not applicable to the Company:

- Accounted for leases with a remaining term of less than twelve months as at January 1, 2019, as short-term leases; and
- Accounted for lease payments as an expense for leases of low-value assets.

The modified retrospective approach does not require restatement of prior period comparative financial information and is applied prospectively. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include: determining contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

The impact on profit or loss was an elimination of rent expense (either within cost of sales or operating expenses), which was replaced by the depreciation of the ROU asset and interest (finance) costs on the lease liability. The Company's leases are denominated in U.S. dollars, therefore there was no additional volatility in foreign exchange amounts recognized in profit or loss.

##### **New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments**

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

There was no material reporting changes as a result of adopting the new Interpretation.

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## **LEGAL AND REGULATORY MATTERS**

### **United States Federal Overview**

#### **Operations in the U.S.**

Unlike in Canada which has proposed to have federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To the Company's knowledge, there are to date a total of 29 States, plus the District of Columbia, that have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "**CSA**") in the United States and as such, remains illegal under federal law in the United States.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

The Resulting Issuer's sole assets will be located in California. Any expansion may also include operations in various jurisdictions of the U.S. As such, the Resulting Issuer will be deriving a portion of its revenues from the cannabis industry in one or more U.S. states where local state law permits such activities. However, the cannabis industry is illegal under the federal law of the U.S. and enforcement of relevant federal laws is a significant risk. Additionally, there is a risk that third party service providers of Weldon Manor could suspend or withdraw services and that regulatory bodies could impose certain restrictions on the ability of Weldon Manor to operate in California or the U.S. There is also no guarantee that Weldon Manor will be granted any additional licenses for production or distribution of recreational cannabis as described in this MD&A.

As a result of the conflicting views among state legislatures and the federal government regarding cannabis, investments in the cannabis business in the U.S. are subject to inconsistent legislation and regulation. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Resulting Issuer in the U.S. The response to this inconsistency was highlighted in the **Cole Memorandum**, addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offences. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. On February 14, 2014, in conjunction with Department of Justice policies set forth in both the Cole Memorandum and the Ogden Memorandum, FinCEN released the FinCEN Guidance to banks clarifying Bank Secrecy Act expectations for financial institutions seeking to provide services to cannabis-related business. While the FinCEN Guidance made clear that it did not alter in any way Department of Justice's authority to enforce federal law, it placed enhanced due diligence obligations on banks transacting with cannabis-related businesses, and offered a pathway for banks to provide financial services to such businesses.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, he did not agree that the Cole Memorandum had been implemented effectively and, on January 4, 2018 issued the **Sessions Memorandum** that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of the U.S. Attorneys relative to cannabis enforcement, including the Cole Memorandum, on the basis that they are unnecessary, given the well-established principles governing federal prosecution that were already in place. Those principles are included in chapter 9.27.000 of the U.S. Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant consideration, including: (i) federal law enforcement priorities set by the Attorney General; (ii) the seriousness of the crime, the deterrent effect of criminal prosecution; (iii) and the cumulative impact of particular crimes on the community.

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The result of the rescission of the Cole Memorandum is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. However, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and as a result, it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, Attorney General Jeff Sessions' statement in the Sessions Memorandum in relation to the rescission of the Cole Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. The FinCEN Guidance, based on the Cole Memorandum which was recently rescinded, has not been terminated or rescinded by the Treasury Department, and thus remains in full force and effect as of the date of this Listing Statement. The Treasury Department has not released any additional guidance since the Sessions Memorandum was released, and until additional guidance is provided it is unknown how federal banking regulators will react to the Sessions Memorandum and the status of the FinCEN Guidance.

Medical cannabis is currently protected against enforcement by enacted legislation from U.S. Congress in the form of the Rohrabacher-Farr Amendment which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, and said amendment remains in force as of the date of this Listing Statement, having been extended on a temporary basis until March 23, 2018 under new budget discussions. Additionally, language used in the Rohrabacher-Farr Amendment was included in the Senate version of the Department of Justice Appropriations bill that was voted upon by Congress in January 2018. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law, however, medical operators are still entitled to the protections of the Rohrabacher-Farr Amendment which has been utilized by medical operators to enjoin attempted prosecutions. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation, even if such proceedings were concluded successfully in favour of the Resulting Issuer.

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

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

Now that the Cole Memorandum has been repealed by Attorney General Jeff Session, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

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

The U.S. Congress has passed appropriations bills each of the last three (3) years, including the Rohrabacher-Farr Amendment, which by its terms does not appropriate any federal funds to the U.S. Department of Justice for the prosecution of medical cannabis offences of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding to prosecute medical cannabis under the CSA, the U.S. government will have the authority to prosecute individuals for violations of the law, subject to the CSA's five-year statute of limitations.

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#### **Market and Regulatory Conditions in California**

California has an existing medical cannabis law and voted to approve the AUMA to tax and regulate for all adults 21 years of age and older on November 8, 2016. California was the first state to pass medical cannabis in 1996, allowing for a not-for-profit patient/caregiver system, but there was no state licensing authority to oversee businesses that emerged. In September of 2015, the California legislature passed three bills collectively known as the MMRSA. Then, in 2016, California voters passed the AUMA, which legalizes cannabis for adults 21 years of age and older and creates a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB 94 repealed the MMRSA and combined California's medicinal and adult-use cannabis systems into one licensing structure under the MAUCRSA.

Pursuant to the MAUCRSA: (i) the California Department of Food and Agriculture, via CalCannabis, will license cannabis cultivators; (ii) the California Department of Public Health, via the MCSB, will license cannabis manufacturers; and (iii) the California Department of Consumer Affairs, via the BCC, will license cannabis distributors, testing laboratories and retailers. The MAUCRSA allows twenty (20) different types of cannabis licenses across five (5) different categories, which are: (i) cultivation; (ii) manufacturing; (iii) testing; (iv) retail sales; and (v) distribution. Multiple agencies will oversee different aspects of the program and businesses will require a state license and local approval to operate. Although there is no limit on the number of state license, local governments can prohibit or otherwise regulate the number of medical cannabis businesses. California will begin licensing medical cannabis businesses at the state level under the MAUCRSA in 2018. Until that time, medical cannabis business licensing is expected to predominately occur at the local level.

There are no residency requirements for medical or adult-use cannabis licensees under the MAUCRSA. Existing medical cannabis collectives acting in compliance with local zoning ordinances and other state and local requirements on or before January 1, 2018 may continue their operations until licensed under the MAUCRSA. An applicant under the MAUCRSA must obtain local approval and a state license. The state license approval process is not competitive, and localities are accepting licenses based on timelines within their individual ordinances. Localities may prohibit medical or adult-use cannabis businesses or limit the number of licenses offered in their respective jurisdictions. The BCC, CalCannabis within the Department of Food and Agriculture, and MMCSB announced emergency licensing regulations for cannabis businesses on November 16, 2017, with the implementation date for the issuance of the state commercial cannabis licenses being January 1, 2018.

#### **Anti-Money Laundering Laws and Regulations**

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Patriot Act, the PCMLTFA, as amended, and the rules and regulations thereunder, the Criminal Code and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and/or Canada.

In February 2014, the FinCEN Memorandum provided instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to the Cole Memorandum issued to federal prosecutors relating to the prosecution of money laundering offences predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Although the Sessions Memorandum rescinded the Cole Memorandum, as of the date of this Listing Statement, the FinCEN Memorandum has not been withdrawn or rescinded.

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

As of the date of this MD&A, the Issuer is not aware of any violation of the above noted statutes as a result of its operations, and has no reason to believe that such operations may be constituted as, whether directly or indirectly, money laundering or proceeds of crime. However, any future exposure to money laundering or proceeds of crime could subject the Issuer, Weldon Manor to financial losses, business disruption and damage to their reputation, respectively. In addition, there is a risk that the Issuer, Weldon Manor may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Issuer, Weldon Manor fails to comply with their legal obligations relating to the reporting of money laundering or other offences.

**Weldon Manor, LLC**

For the Six Months Ended June 30, 2019

**Management's Discussion & Analysis**Expressed in United States Dollars

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**RISKS AND UNCERTAINTIES**

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements. Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

**Competition**

The Issuer may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Weldon Manor. Increased competition by larger and better-financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Resulting Issuer. In addition, the state of California has only issued to date a small number of licenses to produce or sell medical cannabis. There are, however, many applicants for such licenses. The number of licenses granted could have an impact on the operations of the Issuer. Because of the early stage of the industry in which Weldon Manor operates, the Issuer expects to face additional competition from new entrants. If the number of users of medical cannabis in the U.S. increases, the demand for products will increase and the Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development of new products, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

**Restricted Access to Banking**

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

**No Assurance of Profitability**

The Issuer has a history of operating losses and there can be no assurance that it will ever achieve profitability.

**The Company has no operating history**

The Company has no operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use marijuana industry is a relatively new industry which, as a whole may not succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law.

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**Weldon Manor, LLC**

For the Six Months Ended June 30, 2019

**Management's Discussion & Analysis**Expressed in United States Dollars

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**The Company's products**

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company. Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company Shares to the point investors may lose their entire investment. The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that The Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

**Licensing requirements**

Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations. Although Weldon Manor believes that it will meet the requirements to sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, Weldon Manor may be curtailed or prohibited from the distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Weldon Manor may be materially adversely affected.

**ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS****Unfavourable Publicity or Consumer Perception**

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

**A CAUTIONARY NOTE**

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

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**Weldon Manor, LLC**

For the Six Months Ended June 30, 2019

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Expressed in United States Dollars

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Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the regulation of the recreational cannabis industry in the State of California;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control, as more particularly described elsewhere in this MD&A. below.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Respectfully submitted on behalf of the Board of Directors,

"Carl Saling"

CEO and Founder

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# Weldon Manor, LLC

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**Management's Discussion & Analysis**  
**For the year ended December 31, 2018**  
Expressed in United States Dollars

## **Weldon Manor, LLC**

For the Year Ended December 31, 2018

### **Management's Discussion & Analysis**

Expressed in United States Dollars

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This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operations of Weldon Manor, LLC. ("Weldon Manor" or the "Company") should be read in conjunction with Weldon Manor's audited consolidated financial statements for the year ended December 31, 2018, and the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2019, and accompanying notes therein. This MD&A is dated November 14, 2019, which is the date that the Board of Directors of the Company (the "Board") approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

#### **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" section below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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## **Weldon Manor, LLC**

For the Year Ended December 31, 2018

### **Management's Discussion & Analysis**

Expressed in United States Dollars

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#### **CORPORATE OVERVIEW**

Weldon Manor, LLC (the "Company") was incorporated on January 13, 2017 as a Limited Liability Company (LLC) in the State of California, USA. Its head office and registered office address is 212 - 9921 Carmel Mtn RD, San Diego, CA, 95023. The Company, collectively with its subsidiaries, operates exclusively in the State of California where the legal commercial production and vending of marijuana is permitted by California state law under *Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)*. The Company is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California.

The Company operates as a licensed manufacturer and distributor of recreational cannabis and cannabis products, and distributes its products through an arrangement with a cannabis distributor to licensed cannabis vendors in California. The Company commenced revenue generating activity during the year ended December 31, 2018. Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

#### **CORPORATE OUTLOOK AND PROPOSED TRANSACTION**

##### **Corporate Outlook**

In March of 2017, the Company commenced construction of a large legal cannabis company. The Company has a 35,000 sq. ft. facility that is being developed in phases. In August 2017, the Company was approved to have cannabis in the building, and operate on December 29, 2017 just in time for *Adult-Use* legalization to take effect on January 1, 2018.

Weldon Manor, LLC is the management company for Hollister Holistics 1 and Hollister Holistics 2, (Collectively the "Company" or "Hollister Cannabis Company") which both operate in the legal cannabis industry in California. Hollister Cannabis Company manufactures hash, tinctures, hash infused products, crumble infused products, pre-rolls, and other cannabis products under their brands HashBones, Purity Petibles, Hollister Cannabis Co., and as white label products for other companies. Pre-rolls are the most produced product at Hollister Cannabis Company. Cannabis flower is purchased from select vendors and carefully ground removing any waste material and stems. The pre-rolls are machine filled and every pre-roll is precisely weighed to ensure it meets State of California requirements for variance.

Currently, the most widely distributed product manufactured at Hollister Cannabis Company is the HashBone which is a 25% hash 75% flower pre-roll which is made in small batches with only premium flower and artisanal bubble hash. Hollister Cannabis Company Bubble Hash is made with purified water and ice in hash wash machines. It is dried in state of the art freeze dryers and strained and grammed in concentrate jars. Purity Petibles 20:1 CBD pet tincture is manufactured using full spectrum CBD, organic MCT and gourmet chicken flavor. All of the ingredients in Purity Petibles is food grade and the Company has received very positive feedback for this product. There are several white label products manufactured at Hollister Cannabis Co including crumble infused pre-rolls, 1/8<sup>th</sup> and grammed flower, and pre-rolls. The Company uses an automated process that fills vape cartridges, capsules, tincture bottles and more. There are potential white label projects for this equipment. Most products are packaged, labeled, and prepared for distribution prior to leaving Hollister Cannabis Company. The Company employees an extremely efficient Auto Labe labeling machine for any round vessel, and a blister pack machine.

Hollister Cannabis Company is currently operating in 2,800 sq. ft. of the 35,000 sq. ft. facility. The available space will house several projects that are currently under development including NanoPure, nano emulsified cannabis concentrate which will be sold both wholesale as an ingredient for other companies and power products for Hollister Cannabis Company. The first product to be launched is a fast acting sublingual spray. Beverages, edibles, and capsules will soon be produced.

Hollister Cannabis Company is licensed by the city of Hollister and the State of California for Manufacturing and Distribution. The Company is licensed by the city of Hollister for Cultivation and has applied to the State of California for a Cultivation license. The City of Hollister is preparing to put forward regulations that will allow the Company to apply for statewide delivery.

The Company has a very close relationship with Indus Distribution (CSE:INDS). Indus handles all sales and branded product fulfillment efforts to California dispensaries.

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## Weldon Manor, LLC

For the Year Ended December 31, 2018

### Management's Discussion & Analysis

Expressed in United States Dollars

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#### Proposed Transaction

##### Securities Exchange Agreement with 5600 BC:

On April 30, 2019, the Company entered into a letter of intent ("LOI") with Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) ("5600 BC") a private company incorporated on April 17, 2019, whereby 5600 BC will acquire all of the issued and outstanding membership interests of the Company (the "Transaction") and seek a public listing on the Canadian Securities Exchange ("CSE"). The LOI was superseded on July 9, 2019, by a Securities Exchange Agreement.

Effective November 8, 2019, the Transaction closed whereby 5600 BC acquired all of the issued and outstanding membership interests of the Company by the issuance of 60,000,000 common shares of 5600 BC to the members of the Company (of which 8,580,000 were issued to 5600 BC in respect of its membership interest in the Company which were subsequently returned to treasury). Additionally, 5600 BC issued 1,200,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, 5600 BC's common shares will be listed on the CSE. All issued and outstanding common shares of 5600 BC will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE.

##### Loan Agreement with 5600 BC:

On July 8, 2019, and as amended on August 26, 2019, and October 2, 2019, the Company entered into a loan agreement with 5600 BC for the purpose of obtaining working capital funds until closing of the Transaction. Under the loan agreement, the Company may receive up to \$475,000 from 5600 BC. Interest is payable at 8% per annum, and the loan is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019.

#### OVERALL PERFORMANCE

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgment in order to ensure that our consolidated financial statements are presented fairly and in accordance with IFRS. All amounts in this MD&A are presented in U.S. dollars, unless otherwise noted.

The following discussion of the Company's financial performance is based on the consolidated annual financial statements for the year ended December 31, 2018.

For information in regarding the Company's total assets and liabilities, refer to "Liquidity and Capital Resources" below.

#### Acquisition of Mighty Meds

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations. The Company treated the acquisition as an acquisition of assets including inventory, and intangible asset which was attributable collectively to the domain names/websites, product formulations, and branding acquired.

As the acquired assets did not qualify as a business according to the definition of IFRS 3, *Business Combinations*, the acquisition does not constitute a business combination; rather it is treated as an acquisition of assets including inventory, and intangible asset which is attributable collectively to the domain names/websites, product formulations, and branding acquired.

	December 7, 2017
<b>Net assets acquired:</b>	<b>\$</b>
Inventory	37,096
Intangible asset	512,904
<b>Total</b>	<b>550,000</b>
<b>Present value of consideration paid:</b>	<b>\$</b>
Long-term debt (Note 8)	390,407
<b>Total</b>	<b>390,407</b>

During the year ended December 31, 2018, the Company made cash payments of \$50,000 (2017 - \$nil) towards the purchase price consideration payable which was applied against long-term debt. As at December 31, 2018, the undiscounted amount of the balance payable to the Sellers was \$500,000 (2017 - \$550,000).

The fair value of the consideration totalling \$550,000, using a discount rate of 15% over the term of the payment schedule was \$390,407, resulting in a discount of \$159,593 (interest income) which will be accreted (interest expense) to its face value over the term of the long-term debt.

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## Weldon Manor, LLC

For the Year Ended December 31, 2018

### Management's Discussion & Analysis

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Subsequent to December 31, 2018, on April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to \$200,000. The balance payable by the Company is personally guaranteed by the Company's CEO.

#### Issuance of Membership Units

##### Transactions for the issue of Membership Units during the year ended December 31, 2017:

- The Company issued 6,111,667 Common Units on incorporation to the Company's CEO (the Company's Founder) for proceeds of \$100.
- The Company issued 444,445 Class B Preferred Units to various arm's length parties at \$0.90 per Unit for proceeds of \$400,000.

##### Transactions for the issue of Membership Units during the year ended December 31, 2018:

- The Company issued 2,222,222 Class A Preferred Units to a significant shareholder at \$0.30 per Unit for proceeds of \$666,667.
- The Company issued 611,111 Class B Preferred Units at \$0.90 per Unit for proceeds of \$550,000.

During the years ended December 31, 2018, and 2017, there was \$nil cash distributions to members.

#### SELECTED ANNUAL INFORMATION - RESULTS OF OPERATIONS

As at and for the years ended December 31, 2018 and December 31, 2017:

	December 31, 2018 \$	December 31, 2017 \$
Revenue	465,317	-
Gross margin	(603,728)	-
Operating expenses	(369,747)	(260,801)
Impairment of intangible asset	(512,904)	-
Interest income	-	159,593
Loss and comprehensive loss	(1,491,379)	(101,208)
Total assets	568,860	708,653
Current liabilities	245,588	569,354

During the year ended December 31, 2018, the Company commenced revenue generating activity through the sale of pre-roll products and extracts which included cannabis oil-filled vape cartridges.

Operating expenses increased during the year ended December 31, 2018, relative to year ended December 31, 2017 by approximately \$109,000 driven by increases in all components of operating expenses except administrative expenses, depreciation, and rent. The increase in expenses are the result of activities to expand operations and sales mix. The most significant changes in operating expenses, and other expenses, were as follows:

- Impairment of intangible asset of \$512,904 was incurred as the Company determined that there were indicators that the carrying value of the intangible asset initially recognized in connection with the Mighty Meds asset acquisition was impaired. These impairment indicators included, but are not limited to, underperforming sales of the product line, and the resulting downward revision to the consideration payable agreed upon between the Company and the Seller which occurred in April 2019.
- Professional fees and consulting increased by approximately \$88,000 as a result of increased legal, accounting, and consulting fees relating specifically to corporate structuring, tax and accounting consultancy, and internal bookkeeping and facility construction fees.
- Management fees increased by approximately \$88,000 as a result of increased compensation paid to the Company's key management personnel. Refer to details of key management compensation in the "Related Parties" section below.
- Marketing fees increased by approximately \$63,000 as a result of amounts paid to for business and corporate development contractors including certain amounts paid to key management personnel for business development activity. The Company also commenced advertising activity for the first-time by engaging service providers for digital and print ads, as well as other general marketing efforts.

## Weldon Manor, LLC

For the Year Ended December 31, 2018

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- Rent decreased by approximately \$164,000 as rent specific to the Company's manufacturing facility was allocated within cost of sales during the year ended December 31, 2018 in the amount of \$580,272. Rent incurred on the facility during the year ended December 31, 2017 totaled \$167,482 and was allocated entirely to operating expenses. The amount incurred during the year ended December 31, 2017 is significantly less than that during the year ended December 31, 2018, because the Company's facility lease commenced in August 2017.
- Depreciation was allocated in part to both operating expenses, and cost of sales. During the year ended December 31, 2018, depreciation expense totaled \$959, and depreciation allocated to cost of sales totaled \$44,440, for an aggregate total of \$45,399 (2017 - \$4,435).

Loss and comprehensive loss increased by approximately \$1,390,000 substantially due to the negative gross margin and impairment of intangible asset, furthered by a general increase in operating expenses, the first-time recognition of accretion expense, and interest expense, as well as an increase in rent (as discussed above) within both cost of sales and operating expenses as the year ended December 31, 2018 was the Company's first full year operating out of its new manufacturing facility which was leased started in August 2017.

#### FOURTH QUARTER RESULTS

During the three months ended December 31, 2018, revenues totaled \$167,033 (2017 - \$nil). \$123,833 of revenue, or 74%, was comprised of sales of pre-rolls. The Company's sales were substantially completed via its distributor as the arrangement with its distributor began in September 2018, therefore, the three months ended December 31, 2018, was the first full quarter of sales through the distributor. Operating expenses were greater than the comparative quarter, as driven by increases in professional fees and consulting, first-time accretion expense, increased management fees, increased marketing, in addition to the impairment of intangible asset. As the Company was non-revenue generating during the year ended December 31, 2017, activity levels during the three months then ended were relatively low. The Company recorded a write-down recorded within cost of goods sold during the period ended December 31, 2018 of \$44,854. This was the first-time the Company had recorded a write-down of inventory.

#### SUMMARY OF QUARTERLY RESULTS

Period Ending	Revenue \$	Income (Loss) and comprehensive Income (loss) \$
December 31, 2018	167,033	(912,097)
September 30, 2018	200,132	(179,004)
June 30, 2018	54,727	(268,472)
March 31, 2018	43,425	(131,806)
December 31, 2017	-	13,362
September 30, 2017	-	(100,090)
June 30, 2017	-	(13,299)
March 31, 2017	-	(1,181)

Quarter to quarter fluctuations in revenue have been driven by fluctuations in the normal course of business, the Company's overall growth efforts, significant customer acquisitions in recent periods, and the seasonality of product sales particularly in the fourth quarter.

During the period ended March 31, 2017, the Company commenced operations with only nominal expenses relating to setting up internal processes.

During the period ended June 30, 2017, the Company continued with the initial setup of operations by incurring office, travel, marketing, legal and other charges.

During the period ended September 30, 2017, the Company further expanded operations and entered into a facility lease agreement where in connection with increases in expenses such as office, management fees, and travel, the Company began incurring rent expense for its current facility in the amount of \$69,489 in respect of the "Facility Lease" discussed above within "Overall Performance".

## **Weldon Manor, LLC**

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During the period ended December 31, 2017, the Company maintained operations and expenses at comparable levels as to the previous period with a comparable composition of expenses. During this period the Company obtained initial permitting and it also completed the acquisition of the Mighty Meds branded inventory and related on December 7, 2017, see "Acquisition of Mighty Meds Inventory" above within "Overall Performance". The acquisition of the Mighty Meds inventory however, was not a significant driver in operating expenses for the period, although it was the primary component of professional fees for the year ended December 31, 2017. Moreover, accounting for the long-term debt representing consideration payable in the Mighty Meds asset acquisition, results in a discount being applied to the consideration payable, using a credit-adjusted discount rate. This gives rise to a one-time recognition of interest income, which was the cause for income earned during the period ended December 31, 2017. Accretion of the long-term debt over time causes this one-time recognition of interest income to be offset in subsequent periods through the recognition of accretion expense.

During the period ended March 31, 2018, the Company commenced generating revenues through the sale of Mighty Meds cannabis oil-filled vape cartridges and accessories, as well as pre-rolls which are manufactured by the Company. Revenue for the period is substantially comprised of vape cartridge sales. Also during this period the Company began incurring charges within cost of sales such as the cost of inventory sold, the allocation of rent on its facility lease, lab testing, packaging, and security. Due to the allocations of certain previously classified operating expenses to cost of sale, the Company's operating expenses was mainly characterized by insignificant administrative expenses.

During the period ended June 30, 2018, revenues increased nominally and continued to be driven substantially by sales of the Mighty Meds oil-filled vape cartridges and accessories at slightly higher levels with an increase in sales of cannabis pre-roll products as well. Cost of sales increased directly as a result of increased sales efforts. Operating expenses also increased as driven by management fees, marketing expenses, and other contractor expenses.

During the period ended September 30, 2018, revenues increased due to a substantial increase in sales of pre-roll products which was partially offset by a significant decline in the sales of Mighty Meds oil-filled vape cartridges. Cost of sales also increased albeit at a lesser rate than that of revenues thereby decreasing the negative margin incurred and was characterized by the cost of cannabis biomass purchased in the production of pre-roll products. Operating expenses increased insignificantly and continued to be characterized by administrative expenses, management fees, and marketing expenses.

During the period ended December 31, 2018, revenues declined slightly as pre-roll sales decreased which was partially offset by an increase in sales of Mighty Meds oil-filled vape cartridges and accessories. The composition of cost of sales remained consistent with the prior period being mainly comprised of cannabis biomass purchases relating to the sale of pre-rolls, depreciation of manufacturing equipment, and facility lease (rent) costs. Operating expenses increased as a result of increased professional fees in respect of exploring opportunities in the cannabis industry including a potential public listing on the Canadian Securities Exchange, additional marketing expenses, and other fees paid to contractors for professional services. Lastly, the Company recognized the impairment of intangible asset in the amount of \$512,904 during this period. Moreover, the Company recorded a write-down of unsaleable inventory as certain finished goods did not pass testing procedures. The total inventory write-down recorded within cost of goods sold during the period ended December 31, 2018, was \$44,854. This was the first-time the Company had recorded a write-down of inventory.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as members' equity.

The Company has historically relied on financing from the issuance of Units, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

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**Weldon Manor, LLC**

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**Liquidity and Financial Condition**

As at December 31, 2018 and December 31, 2017:

	<b>December 31, 2018</b>	December 31, 2017
	<b>\$</b>	<b>\$</b>
Cash	46,676	78,751
Receivables	43,621	-
Prepaid expenses	5,828	11,656
Inventory	235,736	142,696
<b>Current assets</b>	<b>331,861</b>	<b>233,103</b>
Equipment	132,499	17,739
Intangible asset	-	512,904
Current liabilities	245,588	268,947
Non-current liabilities	299,092	300,407
Working capital (deficiency)	86,273	(35,844)
Members' equity	24,180	298,892

The Company's current assets increased by approximately \$99,000 in major part due to an increase in receivables, and inventory, partially offset by reductions in cash and prepaid expenses.

Equipment increased primarily as a result of the acquisition of a vehicle and manufacturing equipment additions. Intangible asset decreased as the Company wrote-off the carrying value as discussed above.

The key driver behind the increase in working capital is the increase in current assets in addition to the decrease in current liabilities, which was driven by the excess of the reduction of accounts payable and accrued liabilities over and above partially offsetting increases in accounts payable to related parties, and current portions of long-term debt and obligations under finance lease.

**Cash flows**

During the year ended December 31, 2018:

- Cash flows used in operating activities increased by approximately \$923,000 to \$1,118,021 (2017 - \$194,675) which was driven by an increase in cash-based operating expenses, settlements of accounts payable and accrued liabilities, and an increase in receivables. Refer to the "Results of Operations" above for details in respect of significant components of operating expenses.
- Cash flows used in investing activities comprised purchases of equipment totaling approximately \$72,000. During the year ended December 31, 2107, purchases of equipment totaled approximately \$22,000. Investment activities during the year then ended also included \$104,500 in non-current deposits paid.
- Cash flows from financing activities totaled approximately \$1,158,000 (2017 – \$400,000) which was substantially driven in both years by the proceeds received from the issuance of Membership units. During the year ended December 31, 2018, the proceeds from issuance of Membership units were partially offset by repayments of non-current liabilities.

**OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Transaction with 5600 BC closed, and there were no equity securities issued and outstanding by the Company. All issued and outstanding equity securities are of the resulting issuer in connection with the Transaction. There are no stock options or warrants outstanding as issued by the Company.



**Weldon Manor, LLC**

For the Year Ended December 31, 2018

**Management's Discussion & Analysis**Expressed in United States Dollars

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**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Fair value of financial instruments**

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and obligation under finance lease also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

Details of the Company's financial instrument related risks including credit risk, interest rate risk, liquidity risk, and price risk are detailed in Note 13 of the financial statements.

The Company's potential sources of cash flow in the upcoming year will be from possible equity or debt financings, completion of the Proposed Transaction, and/or contributions from key management and Members.

**Economic dependence**

The Company derives 39% (2017 – 0%) of its revenues from four customers who individually make up more than 9% of revenues. These customers accounted for \$181,189 of revenue during the year ended December 31, 2018 (2017 - \$nil).

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as at December 31, 2018 or December 31, 2017, and as at the date hereof.

**RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Management fees	110,250	22,000
Marketing	10,000	-
	<b>120,250</b>	<b>22,000</b>

Management fees for the year ended December 31, 2018 were paid to the Company's CEO, CFO and Secretary, and VP Business Development. During the year ended December 31, 2017, management fees were only paid to the Company's CEO.

As at December 31, 2018, accounts payable to related parties included:

- \$9,100 (2017 - \$nil) due to the CEO of the Company for expense reimbursements and accrued management fees; and
- \$5,000 due to the VP Business Development of the Company for accrued marketing fees.

These amounts are unsecured, non-interest bearing and are due on demand

**USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities.

Details of the areas which require management to make critical estimates and judgments are disclosed in Note 2 of audited annual financial statements for the year ended December 31, 2018.

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## **Weldon Manor, LLC**

For the Year Ended December 31, 2018

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#### **ACCOUNTING STANDARDS AND INTERPRETATIONS**

##### **New accounting policies**

###### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments became effective on January 1, 2018. These financial statements are the first set of financial statements prepared by the Company. The effect of applying this standard effective January 1, 2018, had no impact on the Company's comparative financial statements as at and for the year ended December 31, 2017, included herein.

The Company's significant accounting policy on "Financial instruments" is disclosed in Note 2 of audited annual financial statements for the year ended December 31, 2018.

###### IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 became effective on January 1, 2018. As the Company had no revenue during the year ended December 31, 2017, there was no impact on the financial statements for the year then ended on adoption of this standard effective January 1, 2018.

The Company's significant accounting policy on "Revenue recognition" is disclosed in Note 2 of audited annual financial statements for the year ended December 31, 2018.

##### **Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

*Effective for annual periods beginning on or after January 1, 2019*

###### *New standard IFRS 16 - Leases*

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The extent of the impact of adoption of the standard has not yet been determined. However, upon adoption of IFRS 16, the facility lease described in Note 15 will likely constitute a right-of-use asset which will be included in equipment, with a corresponding lease obligation (obligation under finance lease).

###### *New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The Company has determined that there will be no material reporting changes as a result of adopting the Interpretation.

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## **Weldon Manor, LLC**

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## **LEGAL AND REGULATORY MATTERS**

### **United States Federal Overview**

#### **Operations in the U.S.**

Unlike in Canada which has proposed to have federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To the Company's knowledge, there are to date a total of 29 States, plus the District of Columbia, that have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "**CSA**") in the United States and as such, remains illegal under federal law in the United States.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

The Resulting Issuer's sole assets will be located in California. Any expansion may also include operations in various jurisdictions of the U.S. As such, the Resulting Issuer will be deriving a portion of its revenues from the cannabis industry in one or more U.S. states where local state law permits such activities. However, the cannabis industry is illegal under the federal law of the U.S. and enforcement of relevant federal laws is a significant risk. Additionally, there is a risk that third party service providers of Weldon Manor could suspend or withdraw services and that regulatory bodies could impose certain restrictions on the ability of Weldon Manor to operate in California or the U.S. There is also no guarantee that Weldon Manor will be granted any additional licenses for production or distribution of recreational cannabis as described in this MD&A.

As a result of the conflicting views among state legislatures and the federal government regarding cannabis, investments in the cannabis business in the U.S. are subject to inconsistent legislation and regulation. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Resulting Issuer in the U.S. The response to this inconsistency was highlighted in the **Cole Memorandum**, addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offences. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. On February 14, 2014, in conjunction with Department of Justice policies set forth in both the Cole Memorandum and the Ogden Memorandum, FinCEN released the FinCEN Guidance to banks clarifying Bank Secrecy Act expectations for financial institutions seeking to provide services to cannabis-related business. While the FinCEN Guidance made clear that it did not alter in any way Department of Justice's authority to enforce federal law, it placed enhanced due diligence obligations on banks transacting with cannabis-related businesses, and offered a pathway for banks to provide financial services to such businesses.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, he did not agree that the Cole Memorandum had been implemented effectively and, on January 4, 2018 issued the **Sessions Memorandum** that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of the U.S. Attorneys relative to cannabis enforcement, including the Cole Memorandum, on the basis that they are unnecessary, given the well-established principles governing federal prosecution that were already in place. Those principles are included in chapter 9.27.000 of the U.S. Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant consideration, including: (i) federal law enforcement priorities set by the Attorney General; (ii) the seriousness of the crime, the deterrent effect of criminal prosecution; (iii) and the cumulative impact of particular crimes on the community.

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## **Weldon Manor, LLC**

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The result of the rescission of the Cole Memorandum is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. However, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and as a result, it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, Attorney General Jeff Sessions' statement in the Sessions Memorandum in relation to the rescission of the Cole Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. The FinCEN Guidance, based on the Cole Memorandum which was recently rescinded, has not been terminated or rescinded by the Treasury Department, and thus remains in full force and effect as of the date of this Listing Statement. The Treasury Department has not released any additional guidance since the Sessions Memorandum was released, and until additional guidance is provided it is unknown how federal banking regulators will react to the Sessions Memorandum and the status of the FinCEN Guidance.

Medical cannabis is currently protected against enforcement by enacted legislation from U.S. Congress in the form of the Rohrabacher-Farr Amendment which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, and said amendment remains in force as of the date of this Listing Statement, having been extended on a temporary basis until March 23, 2018 under new budget discussions. Additionally, language used in the Rohrabacher-Farr Amendment was included in the Senate version of the Department of Justice Appropriations bill that was voted upon by Congress in January 2018. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law, however, medical operators are still entitled to the protections of the Rohrabacher-Farr Amendment which has been utilized by medical operators to enjoin attempted prosecutions. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation, even if such proceedings were concluded successfully in favour of the Resulting Issuer.

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

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

Now that the Cole Memorandum has been repealed by Attorney General Jeff Session, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

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

The U.S. Congress has passed appropriations bills each of the last three (3) years, including the Rohrabacher-Farr Amendment, which by its terms does not appropriate any federal funds to the U.S. Department of Justice for the prosecution of medical cannabis offences of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding to prosecute medical cannabis under the CSA, the U.S. government will have the authority to prosecute individuals for violations of the law, subject to the CSA's five-year statute of limitations.

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## **Weldon Manor, LLC**

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#### **Market and Regulatory Conditions in California**

California has an existing medical cannabis law and voted to approve the AUMA to tax and regulate for all adults 21 years of age and older on November 8, 2016. California was the first state to pass medical cannabis in 1996, allowing for a not-for-profit patient/caregiver system, but there was no state licensing authority to oversee businesses that emerged. In September of 2015, the California legislature passed three bills collectively known as the MMRSA. Then, in 2016, California voters passed the AUMA, which legalizes cannabis for adults 21 years of age and older and creates a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB 94 repealed the MMRSA and combined California's medicinal and adult-use cannabis systems into one licensing structure under the MAUCRSA.

Pursuant to the MAUCRSA: (i) the California Department of Food and Agriculture, via CalCannabis, will license cannabis cultivators; (ii) the California Department of Public Health, via the MCSB, will license cannabis manufacturers; and (iii) the California Department of Consumer Affairs, via the BCC, will license cannabis distributors, testing laboratories and retailers. The MAUCRSA allows twenty (20) different types of cannabis licenses across five (5) different categories, which are: (i) cultivation; (ii) manufacturing; (iii) testing; (iv) retail sales; and (v) distribution. Multiple agencies will oversee different aspects of the program and businesses will require a state license and local approval to operate. Although there is no limit on the number of state license, local governments can prohibit or otherwise regulate the number of medical cannabis businesses. California will begin licensing medical cannabis businesses at the state level under the MAUCRSA in 2018. Until that time, medical cannabis business licensing is expected to predominately occur at the local level.

There are no residency requirements for medical or adult-use cannabis licensees under the MAUCRSA. Existing medical cannabis collectives acting in compliance with local zoning ordinances and other state and local requirements on or before January 1, 2018 may continue their operations until licensed under the MAUCRSA. An applicant under the MAUCRSA must obtain local approval and a state license. The state license approval process is not competitive, and localities are accepting licenses based on timelines within their individual ordinances. Localities may prohibit medical or adult-use cannabis businesses or limit the number of licenses offered in their respective jurisdictions. The BCC, CalCannabis within the Department of Food and Agriculture, and MMCSB announced emergency licensing regulations for cannabis businesses on November 16, 2017, with the implementation date for the issuance of the state commercial cannabis licenses being January 1, 2018.

#### **Anti-Money Laundering Laws and Regulations**

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Patriot Act, the PCMLTFA, as amended, and the rules and regulations thereunder, the Criminal Code and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and/or Canada.

In February 2014, the FinCEN Memorandum provided instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to the Cole Memorandum issued to federal prosecutors relating to the prosecution of money laundering offences predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Although the Sessions Memorandum rescinded the Cole Memorandum, as of the date of this Listing Statement, the FinCEN Memorandum has not been withdrawn or rescinded.

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

As of the date of this MD&A, the Issuer is not aware of any violation of the above noted statutes as a result of its operations, and has no reason to believe that such operations may be constituted as, whether directly or indirectly, money laundering or proceeds of crime. However, any future exposure to money laundering or proceeds of crime could subject the Issuer, Weldon Manor to financial losses, business disruption and damage to their reputation, respectively. In addition, there is a risk that the Issuer, Weldon Manor may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Issuer, Weldon Manor fails to comply with their legal obligations relating to the reporting of money laundering or other offences.

**Weldon Manor, LLC**

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**RISKS AND UNCERTAINTIES**

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements. Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

**Competition**

The Issuer may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Weldon Manor. Increased competition by larger and better-financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Resulting Issuer. In addition, the state of California has only issued to date a small number of licenses to produce or sell medical cannabis. There are, however, many applicants for such licenses. The number of licenses granted could have an impact on the operations of the Issuer. Because of the early stage of the industry in which Weldon Manor operates, the Issuer expects to face additional competition from new entrants. If the number of users of medical cannabis in the U.S. increases, the demand for products will increase and the Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development of new products, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

**Restricted Access to Banking**

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

**No Assurance of Profitability**

The Issuer has a history of operating losses and there can be no assurance that it will ever achieve profitability.

**The Company has no operating history**

The Company has no operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use marijuana industry is a relatively new industry which, as a whole may not succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law.

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**Weldon Manor, LLC**

For the Year Ended December 31, 2018

**Management's Discussion & Analysis**Expressed in United States Dollars

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**The Company's products**

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company. Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company Shares to the point investors may lose their entire investment. The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that The Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

**Licensing requirements**

Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations. Although Weldon Manor believes that it will meet the requirements to sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, Weldon Manor may be curtailed or prohibited from the distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Weldon Manor may be materially adversely affected.

**ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS****Unfavourable Publicity or Consumer Perception**

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

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#### **A CAUTIONARY NOTE**

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the regulation of the recreational cannabis industry in the State of California;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control, as more particularly described elsewhere in this MD&A. below.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Respectfully submitted on behalf of the Board of Directors,

"Carl Saling"

CEO and Founder

**SCHEDULE E**

**HOLLISTER BIOSCIENCES INC. (FORMERLY 1205600 B.C. LTD.)  
PRO FORMA FINANCIAL STATEMENTS AS AT AUGUST 31, 2019**

**HOLLISTER BIOSCIENCES INC.**  
**(formerly 1205600 B.C. Ltd.)**

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**August 31, 2019**

**(Unaudited – Prepared by Management)**  
**(Expressed in United States Dollars)**



**HOLLISTER BIOSCIENCES INC. (formerly 1205600 B.C. Ltd.)**  
**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Unaudited - Expressed in United States Dollars)

	Hollister Biosciences Inc. as at August 31, 2019 \$	Weldon Manor, LLC as at June 30, 2019 \$	Note	Pro Forma Adjustments \$	Pro Forma Consolidated \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	2,130,076	17,281	4(a)	(75,000)	2,072,357
Receivables	-	110,999		-	110,999
Prepaid expenses and advances	-	7,675		-	7,675
Loan receivable	402,800	-	4(b)	(402,800)	-
Inventory	-	222,474		-	222,474
	<u>2,532,876</u>	<u>358,429</u>		<u>(477,800)</u>	<u>2,413,505</u>
<b>Non-current assets</b>					
Investment in Weldon Manor, LLC	500,000	-	4(a)	(500,000)	-
Deposits	-	104,500		-	104,500
Property and equipment	-	1,787,535		-	1,787,535
<b>Total assets</b>	<u>3,032,876</u>	<u>2,250,464</u>		<u>(977,800)</u>	<u>4,305,540</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	88,609	298,792		-	387,401
Accounts payable to related parties	-	85,600		-	85,600
Current portion of long-term debt	-	101,124		-	101,124
Current portion of obligation under finance lease	-	32,132		-	32,132
Current portion of lease liability	-	778,281		-	778,281
	<u>88,609</u>	<u>1,295,929</u>		<u>-</u>	<u>1,384,538</u>
<b>Non-current liabilities</b>					
Long-term debt	-	44,149		-	44,149
Obligation under finance lease	-	24,352		-	24,352
Lease liability	-	1,311,892		-	1,311,892
<b>Total liabilities</b>	<u>88,609</u>	<u>2,676,322</u>		<u>-</u>	<u>2,764,931</u>
<b>Shareholders' equity</b>					
Share capital	3,206,621	1,766,767	4(a)	(3,206,621)	4,384,394
			4(a)	2,617,627	
Warrant reserve	113,700	-	4(a)	(113,700)	333,000
			4(c)	333,000	
Accumulated other comprehensive loss	(65,810)	-	4(a)	65,810	-
Deficit	(310,244)	(2,192,625)	4(a)	310,244	(3,176,785)
			4(a)	(576,160)	
			4(a)	(75,000)	
			4(c)	(333,000)	
<b>Total equity</b>	<u>2,944,267</u>	<u>(425,858)</u>		<u>(977,800)</u>	<u>1,540,609</u>
<b>Total liabilities and equity</b>	<u>3,032,876</u>	<u>2,250,464</u>		<u>(977,800)</u>	<u>4,305,540</u>

The accompanying notes are an integral part of these pro forma consolidated financial statements.

**HOLLISTER BIOSCIENCES INC. (formerly 1205600 B.C. Ltd.)**  
**PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited - Expressed in United States Dollars)

	<b>Hollister Biosciences Inc.</b>	<b>Weldon Manor, LLC</b>			
	<b>For the period from incorporation on April 17, 2019 to August 31, 2019</b>	<b>Six months ended June 30, 2019</b>		<b>Pro Forma Adjustments</b>	<b>Pro Forma Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	-	428,227		-	428,227
<b>Cost of sales</b>	-	561,569		-	561,569
	-	<b>(133,342)</b>		-	<b>(133,342)</b>
<b>Expenses</b>					
Accretion expense	-	13,107		-	13,107
Administrative expenses	110	9,454		-	9,564
Depreciation	-	480		-	480
Finance costs (income)	(2,800)	127,408	4(b)	2,800	127,408
Foreign exchange	162,300	-		-	162,300
Licenses and permits	-	5,707		-	5,707
Management fees	-	87,500		-	87,500
Marketing	30,505	16,181		-	46,686
Professional fees and consulting	117,852	42,279	4(a)	75,000	235,131
Share-based payments	-	-	4(c)	333,000	333,000
Travel and meals	2,277	3,657		-	5,934
	(310,244)	(305,773)		(410,800)	(1,026,817)
Gain on modification of long-term debt	-	255,436		-	255,436
Listing expense	-	-	4(a)	(576,160)	(576,160)
<b>Loss for the period</b>	<b>(310,244)</b>	<b>(183,679)</b>		<b>(986,960)</b>	<b>(1,480,883)</b>
Foreign currency translation adjustment	(65,810)	-		-	(65,810)
<b>Comprehensive loss for the period</b>	<b>(376,054)</b>	<b>(183,679)</b>		<b>(986,960)</b>	<b>(1,546,693)</b>
<b>Basic and diluted loss per common share</b>					<b>(0.01)</b>

The accompanying notes are an integral part of these pro forma consolidated financial statements.

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying unaudited pro forma consolidated financial statements of Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd., a private company) (“Hollister” or the “Company”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) from information derived from the financial statements of Hollister and the financial statements of Weldon Manor, LLC (“Weldon”) to give effect to the proposed transaction (the “Transaction”) as described in Note 3.

These unaudited pro forma consolidated financial statements of the Company are compiled from and include, and should be read in conjunction with the following:

- a. The audited financial statements of Hollister as at August 31, 2019, and for the period from incorporation on April 17, 2019 to August 31, 2019;
- b. The unaudited financial statements of Weldon as at and for the six months ended June 30, 2019;
- c. The audited financial statements of Weldon for the year ended December 31, 2018;
- d. The additional information set out in Note 3.

The unaudited pro forma consolidated statement of financial position as at August 31, 2019 has been prepared as if the transactions (Note 4) had occurred on August 31, 2019. The unaudited pro forma consolidated statement of loss and comprehensive loss for the period ended August 31, 2019 has been prepared as if the transactions had occurred on January 1, 2019.

These unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position that would have been achieved if the proposed transactions had been completed on the dates indicated, nor do they purport to project the financial position or results of operations of the combined entity for any future period. In the opinion of the management of Hollister and Weldon, these unaudited pro forma consolidated statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Note 4. These unaudited pro forma consolidated financial statements do not reflect any cost savings that could result from the combination of the operations of Hollister and Weldon, as management does not anticipate any material cost savings as a result of the Transaction.

The pro forma adjustments are based in part on estimates, including the fair values of the assets acquired and liabilities assumed, as applicable. For purposes of the pro forma consolidated statement of financial position, it is assumed that there are no tax consequences and no income tax effect is being recorded. Both entities have incurred losses since inception and when combined are also not expected to generate profits in the immediate future, and therefore neither entity carries any deferred tax assets in its most recent financial statements.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The unaudited pro forma consolidated statement of financial position has been compiled using significant accounting policies consistent with those set out in the audited financial statements of Weldon and Hollister for the year/period ended December 31, 2018, and August 31, 2019 respectively, and the unaudited condensed interim financial statements of Weldon for the six months ended June 30, 2019.

### **NOTE 3 – DESCRIPTION OF THE TRANSACTION**

#### **Execution of the Securities Exchange Agreement**

On April 30, 2019, the Company entered into a letter of intent (“LOI”) with Weldon. The LOI was superseded by a Securities Exchange Agreement dated July 9, 2019, between the Company, Weldon, and Weldon’s members, whereby Weldon’s members would receive 60,000,000 common shares of the Company in consideration of all the issued and outstanding membership units in Weldon at a value of \$0.07 CAD per share (the “Transaction”).

Effective November 8, 2019, the Transaction closed whereby the Company acquired all of the issued and outstanding membership interests of Weldon by the issuance of 60,000,000 common shares of the Company to Weldon’s members (of which 8,580,000 were issued to the Company in respect of its membership interest in Weldon which were subsequently returned to treasury). Additionally, the Company issued 1,200,000 common shares as “Finder Fee Shares” to an arm’s length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, the Company’s common shares will be listed on the CSE. All issued and outstanding common shares of the Company will be consolidated on a 1.5:1 basis immediately prior to listing on the CSE.

Following completion of the Transaction, 44,221,800 common shares will be held in escrow. The escrowed common shares will be subject to a timed-release schedule as follows: (i) 10% will be released upon the date of the Company’s listing on the CSE; and (ii) an additional 15% will be released every 6 months thereafter until all escrowed common shares have been released (36 months following the date of listing on the CSE).

It is anticipated that the Company will change its name to “Hollister Biosciences Inc.” and will carry on with Weldon’s manufacturing and distribution business in the United States.

#### **Special Warrant Financing**

The Company completed a Special Warrant Financing (collectively, the “Special Warrants”) in two parts comprising an aggregate of 61,945,998 Special Warrants for aggregate gross proceeds of \$3,313,616 (\$4,328,720 CAD) as follows:

- a) On July 8, 2019, 375,000 Special Warrants were issued at a price of \$0.038 (\$0.05 CAD) each for gross proceeds of \$14,334 (\$18,750 CAD). These Special Warrants were deemed exercised into 375,000 common shares of the Company on November 9, 2019 in connection with closing of the Transaction which occurred on November 8, 2019.
- b) On July 11, 2019, 61,570,998 Special Warrants were issued at a price of \$0.054 (\$0.07 CAD) each for gross proceeds of \$3,299,282 (\$4,309,970 CAD). These Special Warrants were deemed exercised into 61,570,998 common shares of the Company on November 12, 2019 in connection with closing of the Transaction.

In connection with the Special Warrant Financing, the Company paid or accrued \$264,492 (\$350,698 CAD) in cash share issue costs including finder’s fees, filing fees, administrative and other expenses, and legal fees. Additionally, the Company issued 4,309,969 Finder’s Warrants with a fair value of \$113,700 (Note 4(a)). Each Finder’s Warrant entitles the holder to acquire one common share of the Company at a price of \$0.07 CAD per share until July 11, 2021.

**NOTE 3 – DESCRIPTION OF THE TRANSACTION (continued)**

**Reverse Acquisition and Transaction Accounting**

On completion of the Transaction, the former members of Weldon obtained control of the Resulting Issuer by obtaining approximately 50.8% of the common shares of the Resulting Issuer (excluding the deemed exercise of the Special Warrants into common shares of the Resulting Issuer, and 8,580,000 common shares issued to the Company which were subsequently returned to treasury) and the resulting power to govern the financial and operating policies of the combined entities, as further supported by Weldon holding all board positions and all of the executive officer positions of the Resulting Issuer.

Although the Transaction resulted in a single entity, control passed to the former shareholders of Weldon and the Transaction constitutes a reverse takeover of Hollister by Weldon and has been accounted for as a reverse takeover transaction in accordance with the guidance provided by IFRS 2 *Share-based Payments* and IFRS 3 *Business Combinations*. As Hollister did not constitute a business according to the definitions within IFRS 3, the reverse takeover does not constitute a business combination; rather the Transaction was accounted for as an asset acquisition and including Hollister's public listing. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, Weldon is treated as the accounting parent company (legal subsidiary) and Hollister as the accounting subsidiary (legal parent).

The Transaction is measured at the fair value of the shares that Weldon would have had to issue to shareholders of Hollister to give shareholders of Hollister the same percentage equity interest in the combined entity that results from the reverse takeover had it taken the legal form of Weldon acquiring Hollister. The fair value of the common shares was determined to be \$0.05 (\$0.07 CAD) based on the Special Warrant Financing completed by Hollister and is considered a significant estimate and judgment.

A listing expense of \$576,160 has been charged to the statement of loss and comprehensive loss to reflect the difference between the fair value of consideration paid, and the fair value of the net assets acquired from Hollister in accordance with IFRS 2.

**NOTE 4 – PRO FORMA ADJUSTMENTS AND ASSUMPTIONS**

The unaudited pro forma consolidated financial statements reflect the following adjustments:

a) **Consideration paid and fair value of net assets acquired**

The consideration paid and the fair value of the net assets (liabilities) of Hollister as at August 31, 2019, prior to the Transaction were:

	<b>August 31, 2019</b>
<b>Net assets of Hollister acquired:</b>	<b>\$</b>
Cash	2,130,076
Accounts payable and accrued liabilities	(88,609)
<b>Net liabilities assumed</b>	<b>2,041,467</b>
<b>Consideration paid in RTO of Hollister:</b>	<b>\$</b>
Common shares issued	2,554,552
Finder's Shares issued	63,075
<b>Total consideration paid</b>	<b>2,617,627</b>
<b>Listing expense</b>	<b>576,160</b>

**NOTE 4 – PRO FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)**

**a) Consideration paid and fair value of net assets acquired (continued)**

The consideration paid comprises 48,600,000 Hollister common shares at a fair value of \$0.05 (\$0.07 CAD) per share in the amount of \$2,554,552; and the fair value of 1,200,000 Finder's Shares in the amount of \$63,075.

The Company also recorded estimated professional fees to be incurred in connection with closing of the Transaction of \$75,000 which includes legal fees, accounting fees, audit fees, filing fees, and administrative expenses.

Additionally, the elimination of Hollister's historical shareholders' equity accounts, and investment in Weldon Manor, LLC were recorded.

**b) Loan to Weldon Manor, LLC**

On July 8, 2019, and as amended on August 26, 2019, and October 2, 2019, the Company entered into a loan agreement with Weldon for the purpose of advancing working capital funds to Weldon until closing of the Transaction. Under the loan agreement, the Company may loan up to USD \$475,000 to Weldon. Interest is payable at 8% per annum, and the loan is secured by a General Security Agreement over certain financial and non-financial assets of Weldon. The loan matures on the earlier of: (a) Weldon obtaining a public listing on the CSE; or (b) December 31, 2019.

As at August 31, 2019, loan receivable due from Weldon totals \$402,800 (\$400,000 principal and \$2,800 accrued interest income).

On closing of the Transaction, the principal was eliminated, and the accrued interest was forgiven. The forgiveness of accrued interest is presented as a reversal on the statement of loss and comprehensive loss and is presented within the elimination of deficit on the statement of financial position.

**c) Stock options granted**

On closing of the Transaction, the Company will grant 11,900,000 stock options to members of key management, employees, and consultants. The stock options are exercisable at \$0.05 (\$0.07 CAD) and have a term of five years from the date of the Company's listing on the CSE (the "Listing Date"). The stock options vest 50% on the Listing Date, and 50% three months thereafter. The fair value of the stock options that vested on the Listing Date totalled \$333,000.

The stock options were valued using the Black-Scholes option pricing model with the following assumptions: share price of \$0.05 (\$0.07 CAD), exercise price of \$0.05 (\$0.07 CAD), risk-free rate of 1.50%, expected volatility of 100%, and expected life of 5.00 years. The stock options are exercisable in Canadian dollars, which is the functional currency of Hollister.

**HOLLISTER BIOSCIENCES INC. (formerly 1205600 B.C. Ltd.)**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
AUGUST 31, 2019  
(Unaudited - Expressed in United States Dollars)

**NOTE 5 – PRO FORMA SHARE CAPITAL**

Share capital as at August 31, 2019 after giving effect to the pro forma adjustments and assumptions discussed in Note 4 is as follows:

	Note	Common shares #	Amount \$
<b>Issued</b>			
Hollister common shares outstanding at August 31, 2019		48,600,001	3,206,621
Weldon common shares outstanding at June 30, 2019		60,000,000	1,766,767
Acquisition adjustment - eliminate Weldon common shares		(60,000,000)	-
Acquisition adjustment - eliminate Hollister share capital		-	(3,206,621)
Common shares to be issued on conversion of outstanding Special Warrants		61,945,998	-
Common shares to be issued on closing of Transaction		60,000,000	2,617,627
Common shares to be cancelled on closing of Transaction	3	(8,580,000)	-
Share issue costs - Finder's shares to be issued on closing of Transaction		1,200,000	-
<b>Total Resulting Issuer Shares</b>		<b>163,165,999</b>	<b>4,384,394</b>

**Basic and Diluted Loss per Share**

The loss per share stated on the pro forma consolidated statement of loss and comprehensive loss for the period ended August 31, 2019 has been computed based on the Resulting Issuer shares outstanding on closing of the Transaction.

For purposes of these pro forma consolidated financial statements, all stock options and warrants have been excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

**SCHEDULE F**  
**AUDIT COMMITTEE CHARTER**



# **HOLLISTER BIOSCIENCES INC.**

## **CHARTER OF THE AUDIT COMMITTEE**

### **PURPOSE AND PRIMARY RESPONSIBILITY**

1. This charter sets out the Audit Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the "**Board**") of Hollister Biosciences Inc., (formerly, 1205600 B.C. Ltd.) (the "**Company**"), annual evaluation and compliance with this charter.

2. The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

### **MEMBERSHIP**

3. At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), provided that should the Company become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

4. The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

5. The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

6. The Chair of the Audit Committee will be appointed by the Board.

### **AUTHORITY**

7. In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (i) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;
- (ii) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
- (iii) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

## DUTIES AND RESPONSIBILITIES

8. The duties and responsibilities of the Audit Committee include:
  - (i) recommending to the Board the external auditor to be nominated by the Board;
  - (ii) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;
  - (iii) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
  - (iv) overseeing the work of the external auditor;
  - (v) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;
  - (vi) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
  - (vii) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
  - (viii) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
  - (ix) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;
  - (x) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
  - (xi) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
  - (xii) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;

- (xiii) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;
- (xiv) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (xv) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (xvi) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;
- (xvii) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (xviii) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (xix) resolving disputes between management and the external auditor regarding financial reporting;
- (xx) establishing procedures for:
  - 1. the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
  - 2. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (xxi) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (xxii) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (xxiii) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (xxiv) establishing procedures for:
  - 3. reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;

4. reviewing activities, organizational structure, and qualifications of the Chief Financial Officer (“CFO”) and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
5. obtaining reasonable assurance as to the integrity of the Chief Executive Officer (“CEO”) and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;
6. reviewing fraud prevention policies and programs, and monitoring their implementation;
7. reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company’s compliance with laws and regulations having a material impact on the financial statements including:
  - (I) Tax and financial reporting laws and regulations;
  - (II) Legal withholding requirements;
  - (III) Environmental protection laws and regulations; and
  - (IV) Other laws and regulations which expose directors to liability;

9. A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

10. On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

## MEETINGS

11. The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

12. The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

13. The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

14. The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor’s examination and report.

15. The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

16. Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a

meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

## **REPORTS**

17. The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

18. The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

## **MINUTES**

19. The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## **ANNUAL PERFORMANCE EVALUATION**

20. The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.

**CERTIFICATE OF HOLLISTER BIOSCIENCES INC. (FORMERLY 1205600 B.C. LTD.)**

Dated: November 14, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) as required by the securities legislation of British Columbia.

*“Carl Saling”*

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Carl Saling, Chief Executive Officer

*“Geoffrey Balderson”*

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Geoffrey Balderson, Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

*“Amasa Lacy”*

\_\_\_\_\_  
Amasa Lacy, Director

*“Alexander Somjen”*

\_\_\_\_\_  
Alexander Somjen, Director

**CERTIFICATE OF WELDON MANOR LLC**

Dated: November 14, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Weldon Manor LLC as required by the securities legislation of British Columbia.

*“Carl Saling”*

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**Carl Saling**, Manager

**ON BEHALF OF THE BOARD OF DIRECTORS**

*“Carl Saling”*

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**Carl Saling**, Director

## CERTIFICATE OF THE PROMOTER

Dated: November 14, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Weldon Manor, LLC as required by the securities legislation of British Columbia.

*“Carl Saling”*

**Carl Saling**, Promoter

Dated: November 14, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) as required by the securities legislation of British Columbia.

*“Karamveer Thakur”*

**Karamveer Thakur**, Promoter



## SCHEDULE B

### Exchange Listing Statement Disclosure – Additional Information

#### **14.1 Issued Capital**

	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully-diluted)</b>	<b>% of Issued (non- diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	108,777,373	119,584,019	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	40,739,726	45,573,059	37.45%	38.11%
Total Public Float (A-B)	68,037,647	74,010,960	62.55%	61.89%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	80,222,666	80,222,666	73.75%	67.08%
Total Tradeable Float (A-C)	28,554,707	39,361,353	26.25%	32.92%

#### **Public Securityholders (Registered)**

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

#### **Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	0	0

100 – 499 securities	0	0
500 – 999 securities	107	71,369
1,000 – 1,999 securities	1	1,333
2,000 – 2,999 securities	2	5,334
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	90	67,959,611
<b>Total</b>	<b>200</b>	<b>68,037,647</b>

**Public Securityholders (Beneficial)**

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

**Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	107	71,369
1,000 – 1,999 securities	1	1,333
2,000 – 2,999 securities	2	5,334
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	90	67,959,611
Unable to confirm	0	0
<b>Total</b>	<b>200</b>	<b>68,037,647</b>

### **Non-Public Securityholders (Registered)**

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

#### **Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	3	40,739,726
<b>Total</b>	<b>3</b>	<b>40,739,726</b>

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

<b>Description of Security (include conversion / exercise terms, including conversion / exercise price)</b>	<b>Number of convertible / exchangeable securities outstanding</b>	<b>Number of listed securities issuable upon conversion / exercise</b>
Finder's Warrants	2,873,313	2,873,313
Stock Options	7,933,333	7,933,333
<b>Total</b>	<b>10,806,646</b>	<b>10,806,646</b>

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

The Issuer has no other listed securities reserved for issuance that are not included in section 14.2.

## CERTIFICATE OF THE ISSUER

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

Dated at Vancouver, BC this 20<sup>th</sup> day of November, 2019.

"Carl Saling"

Carl Saling  
Chief Executive Officer

"Geoffrey Balderson"

Geoffrey Balderson  
Chief Financial Officer

"Carl Saling"

Carl Saling  
Promoter

"Alexander Somjen"

Alexander Somjen  
Director

"Amasa Lacy"

Amasa Lacy  
Director