A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in the provinces of Ontario, British Columbia and Alberta, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

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

*The offering of these securities has not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act",) or the applicable securities laws of any state of the United States and, subject to certain exceptions, may not be offered, sold or otherwise disposed of, directly or indirectly, in the United States, its territories or possessions, any State of the United States or the District of Columbia (collectively, the "**United States**") except in transactions exempt from registration under the U.S. Securities Act and under the securities laws of any applicable state. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States. See "Plan of Distribution".*

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of the issuer at 35 McCaul Street, 2nd Floor, Toronto, Ontario M5T 1V7 and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM PROSPECTUS

NEW ISSUE January 10, 2018

liberty health sciences

LIBERTY HEALTH SCIENCES INC.

$20,000,001

9,523,810 Units

This preliminary short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of 9,523,810 units (the "**Units**") of Liberty Health Sciences Inc. (the "**Company**" or "**Liberty**") at a price of $2.10 per Unit (the "**Offering Price**"). Each Unit consists of one common share in the capital of the Company (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one common share in the capital of the Company (each, a "**Warrant Share**") at an exercise price of $2.65 for a period of 24 months following the Closing Date (as defined herein). The Units are issued pursuant to an underwriting agreement dated January 10, 2018 (the "**Underwriting Agreement**"), by and among the Company, Clarus Securities Inc. ("**Clarus**"), as lead underwriter, and AltaCorp Capital Inc. (together, the "**Underwriters**").

The Company's common shares (the "**Common Shares**") are currently traded on the Canadian Securities Exchange (the "**CSE**") under the symbol "LHS" and are also listed on the US OTC Best Market (the "**OTCQX**") under the symbol "LHSIF". On January 4, 2018, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the CSE was $2.26 and the closing price of the Common Shares on the OTCQX was US$1.83. On January 9, 2018, the last trading day before the date of this Prospectus, the closing price of the Common Shares on the CSE was $2.15 per Common Share and the closing price of the Common Shares on the OTCQX was US$1.7334. The Company has applied to list the Unit Shares, Warrant Shares, Broker Unit Shares (as defined herein) and Broker Unit Warrant Shares (as defined herein) to be distributed under this short form prospectus on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE.

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

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Price: $2.10 per Unit

	Price to the Public[1]	Underwriters' Fee[2]	Net Proceeds to the Company[3]
Per Unit	$2.10	$0.126	$1.974
Total	$20,000,001	$1,200,000.06	$18,800,000.94

(1) The Offering Price was determined by arms' length negotiation between the Company and Clarus, on behalf of the Underwriters with reference to the prevailing market price of the Common Shares.

(2) The Company has agreed to pay the Underwriters a cash fee (the "**Underwriters' Fee**") equal to 6% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option (as defined below)). In addition to the Underwriters' Fee, the Company will issue broker warrants ("**Broker Warrants**") to the Underwriters, or as they may direct, to purchase such numbers of Units as is equal to 6% of the number of Units sold pursuant to the Offering (including any Units issued on exercise of the Over-Allotment Option). Each Broker Warrant shall entitle the holder thereof to purchase one Unit (a "**Broker Unit**") at the Offering Price for a period of 24 months following the Closing Date (as defined herein). Each Broker Unit consists of one Unit Share (a "**Broker Unit Share**") and one-half of one Warrant (each whole Warrant, a "**Broker Unit Warrant**"). Each Broker Unit Warrant entitles the Underwriters to acquire one Common Share (a "**Broker Unit Warrant Share**") at an exercise price of $2.65 per Broker Unit Warrant Share, at any time until 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing Date. See "*Plan of Distribution*". This short form prospectus also qualifies the distribution of the Broker Warrants.

(3) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering estimated to be $275,000, which will be paid from the proceeds of the Offering.

The Underwriters have been granted an over-allotment option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date, to purchase up to an additional 1,428,571 Units (the "**Over-Allotment Units**") at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes (the "**Over-Allotment Option**"). If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be $23,000,000, $1,380,000 and $21,620,000, respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

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

Underwriters' Position	Maximum Number of Securities	Exercise Period	Exercise Price
Over-Allotment Option[1]	1,428,571 Over-Allotment Units	For a period of 30 days from and including the Closing Date	$2.10 per Over-Allotment Unit
Broker Warrants[1]	571,428 Broker Units (up to 657,142 Broker Units if the Over-Allotment Option is exercised in full)	For a period of 24 months from the Closing Date	$2.10 per Broker Warrant

(1) This short form prospectus qualifies the grant of the Broker Warrants, the Over-Allotment Option and the Over-Allotment Units issuable upon exercise of the Over-Allotment Option. See "*Plan of Distribution*".

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

Investing in the Units is speculative and involves significant risks. You should carefully review and evaluate certain risk factors contained in this prospectus and in the documents incorporated by reference herein before purchasing the Units. See "*Forward-Looking Information*" and "*Risk Factors*".

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters on behalf of the Company by Stikeman Elliott LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. In connection with the Offering, and subject to applicable laws, the Underwriters may effect transactions that stabilize or maintain the market

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price of the Common Shares at levels other than those which might otherwise prevail on the open market. **The Underwriters may offer the Units at a lower price than stated above. See "*Plan of Distribution*".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about January 26, 2018, or such other date as may be agreed upon by the Company and the Underwriters, but in any event not later than 42 days after the date of the receipt of the (final) short form prospectus (the "**Closing Date**"). In connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions that are intended to stabilize or maintain the market price of the Common Shares at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

It is anticipated that the Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited in electronic form. A purchaser of the Units will receive only a customer confirmation from the registered dealer from or through which such Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold such Units on behalf of owners who have purchased such Units in accordance with the book-based system. No certificates will be issued unless specifically requested or required. See "*Plan of Distribution*".

The Company's head office is located at 35 McCaul Street, 2nd Floor, Toronto, Ontario M5T 1V7 and its registered and records office is located at Suite 2300, 550 Burrard Street, Vancouver, British Columbia V6C 2B5.

This Prospectus qualifies the distribution of securities of an entity that currently does, and is expected to continue to, derive its revenues from the cannabis industry in certain states in the United States, which industry is illegal under Federal Law in the United States. Liberty is involved in the cannabis industry in the United States where local state law permits such activities. Currently, the Company is not engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in the United States.

Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of 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, is in violation of federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the paramountcy of federal law in the United States, enforcement of such laws may be limited by other means or circumstances, which are further described in this Prospectus. *See "Enforcement of United States Federal Laws and United States Enforcement Proceedings".* Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future operations of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future operations in the United States, and such operations may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate in the United States or any other jurisdiction. See "*Risk Factors Related to the United States*".

For the reasons set forth above, the Company's existing interests and operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that CDS may implement policies, the effect of which would be to refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that they were working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, The TMX Group issued a further statement acknowledging that the matter is complex and touches multiple aspects of Canada's capital market system and, as such, requires close examination and careful consideration. The TMX Group noted that CDS continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded on each exchange's role in applying listing requirements, including exchange rules related to issuers' compliance with applicable laws. In the interim, the TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States.

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. See "Risk Factors Related to the United States".

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise, the "**Company**", "Liberty", "we", "us", "our" and "its" refer to Liberty Health Sciences Inc. and its principal wholly-owned subsidiaries, Liberty Health Sciences USA Ltd. and DFMMJ Investments LLC d/b/a Liberty Health Sciences Florida Ltd., and the term "**marijuana**" has the meaning given to the term "marijuana" in *Senate Bill 8A, Fla. Stat. 386.981 et seq.* ("**Florida Legislation**").

An investor should rely only on the information contained or incorporated by reference in this Prospectus. The Company or the Underwriters have not authorized anyone to provide investors with additional or different information. The Company and the Underwriters are not making an offer to sell or seeking offers to buy the Units in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing or incorporated by reference in this Prospectus is accurate only as at the respective dates thereof, regardless of the time of delivery of the Prospectus or of any sale of the Units. The Company's business, financial condition, results of operations and prospects may have changed since that date.

All currency amounts in this Prospectus are stated in Canadian dollars, unless otherwise noted.

FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference herein contain certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this Prospectus, or in the case of documents incorporated by reference herein, as of the date of each such document. Forward-looking statements in this Prospectus and the documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the completion of the Offering and the receipt of all regulatory and stock exchange approvals in connection therewith;
- the use of the net proceeds of the Offering;
- the performance of the Company's business and operations;
- the intention to grow the business and operations of the Company;
- statements related to the effect and consequences of certain regulatory initiatives and related announcements, and the impact thereof for shareholders, industry participants and other stakeholders;
- the expected growth in the amount of medical cannabis sold by the Company;
- the expected growth in the Company's growing capacity;
- expectations with respect to future production costs;
- expectations with respect to the renewal and/or extension of the Company's licenses;
- the number of grams of medical cannabis used by each patient;
- the methods used by the Company to deliver medical cannabis;
- the competitive conditions of the industry;
- any commentary related to the legalization of cannabis and the timing related thereto;
- applicable laws, regulations and any amendments thereto;
- the competitive and business strategies of the Company;

- the Company's operations in the United States, the characterization and consequences of those operations under federal law, and the framework for the enforcement of medical cannabis and cannabis-related offenses in the United States;
- the grant and impact of any license or supplemental licence to conduct activities with cannabis or any amendments thereof; and
- the anticipated future gross margins of the Company's operations.

In particular, this Prospectus contains forward-looking statements in connection with the anticipated Closing Date, anticipated CSE approval and the anticipated use of net proceeds of the Offering. Forward-looking statements contained in certain documents incorporated by reference into this Prospectus are based on the key assumptions described in such documents. Certain of the forward-looking statements contained herein and incorporated by reference concerning the medical cannabis industry and the general expectations of Liberty concerning the medical cannabis industry and concerning Liberty are based on estimates prepared by Liberty using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Liberty believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While Liberty is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties and is subject to change based on various factors.

A number of factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Prospectus or in any document incorporated by reference. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are expressly qualified in their entirety by this cautionary statement.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, each of which has been filed with the securities regulatory authorities in Ontario, British Columbia and Alberta, are specifically incorporated by reference and form an integral part of this Prospectus:

(a) the annual information form of the Company dated October 20, 2017 for the period from the date of listing to October 19, 2017 (the "**Annual Information Form**");

(b) the audited consolidated financial statements of SecureCom Mobile Inc. ("**SecureCom**") (as predecessor to the Company) for the years ended June 30, 2017 and June 30, 2016 and related notes together with the independent auditors' report thereon (the "**Annual Financial Statements**"), and the management's discussion and analysis in connection therewith (the "**Annual MD&A**");

(c) the Company's condensed interim consolidated financial statements for the three and four month periods ended August 31, 2017 and related notes (the "**Interim Financial Statements**"), and the management's discussion and analysis in connection therewith (the "**Interim MD&A**");

(d) the management information circular of SecureCom dated June 19, 2017 in connection with the annual and special meeting of shareholders of the SecureCom held on July 20, 2017;

(e) the material change report of the Company dated January 5, 2018 in respect of the Offering; and

(f) the indicative term sheet dated January 5, 2018 in connection with the Offering (the "**Marketing Materials**").

Any documents of the type referred to in paragraphs (a)-(f) above or similar material and any documents required to be incorporated by reference herein pursuant to National Instrument 44-101 — *Short Form Prospectus Distributions*, including any annual information form, all material change reports (excluding confidential reports, if any), all annual and interim financial statements and management's discussion and analysis relating thereto, or information circular or amendments thereto that the Company files with any securities commission or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of this Offering will be deemed to be incorporated by reference in this Prospectus and will automatically update and supersede information contained or incorporated by reference in this Prospectus.

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

MARKETING MATERIALS

The Marketing Materials do not form part of this short form prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of "marketing materials" (as defined in National Instrument 41-101 — *General Prospectus Requirements*) filed after the date of this short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated in this short form prospectus.

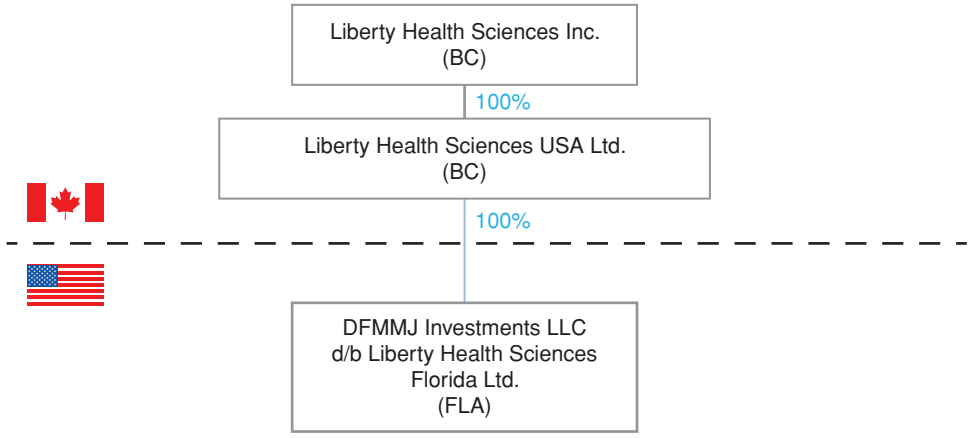
DESCRIPTION OF THE BUSINESS

Corporate Structure

Liberty Health Sciences Inc. was incorporated under the *Business Corporations Act* (British Columbia)(the "**BCBCA**") on November 9, 2011 as SecureCom Mobile Inc.

On July 20, 2017, 1006397 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of SecureCom, completed a business combination (the "**Business Combination**") with DFMMJ Investments, Ltd. ("**Holdco**") whereby SecureCom acquired all of the issued and outstanding shares of Holdco pursuant to reverse takeover transaction under the policies of the CSE. Pursuant to the Business Combination, Holdco amalgamated with Subco under the BCBCA to form Liberty Health Sciences USA Ltd., a wholly owned subsidiary of SecureCom, and SecureCom changed its name to "Liberty Health Sciences Inc." The Company's Common Shares are listed under the symbol "LHS" on the CSE and under the symbol "LHSIF" on the OTCQX.

The following chart illustrates, as of the date here, the Company's corporate structure, together with the place of incorporation of each principal subsidiary and the percentage of voting securities beneficially owned by the Company:



In addition, following the completion of the Alico Acquisition (as defined herein), the Company anticipates that it will become the owner of all of the outstanding shares of 242 Cannabis Canada Ltd., as well as its wholly owned subsidiary, 242 Cannabis, LLC. See "*Recent Developments — Recent Company Developments*".

The Company is licensed to produce and sell medical cannabis in the State of Florida through the Florida Department of Health, Office of Medical Marijuana Use (the "**Department**"). The Florida Department of Health issued the license (the "**License**") to Chestnut Hill Tree Farm, LLC ("**Chestnut**") on November 23, 2015 and the Company acquired the rights to the License on May 19, 2017. On September 28, 2017, the Department approved the transfer of the license to DFMMJ Investments, LLC ("**DFMMJ**"), a wholly owned subsidiary of the Company, and DFMMJ now solely owns and is entitled to utilize the License in Florida. For a further description of the Company's license, see "*Business of the Company — Description of the License*".

The Company's Florida operations are located in Alachua County in Florida. Liberty's head office is located at 35 McCaul Street, 2nd Floor, Toronto, Ontario M5T 1V7 and its registered and records office is located at Suite 2300, 550 Burrard Street, Vancouver, British Columbia V6C 2B5. The Company's corporate website is www.libertyhealthsciences.com

Business of the Company

The Company is licensed to operate as a "medical marijuana treatment center" under applicable Florida law pursuant to the terms of the License issued by the Florida Department of Health, Office of Compassionate Use under the provisions of the *Compassionate Medical Cannabis Act of 2014*.

In addition, the Company intends to continue to look at strategic avenues for growth including, but not limited to, evaluating targets for expansion in key U.S. states that have approved the medical use of marijuana and meet its stringent investment criteria, including target states such as Ohio in which the Company has pending applications for both a processing license and dispensary license.

Description of the License

The License grants Liberty the authority to possess, cultivate, process, dispense and sell medical cannabis in the State of Florida. The License is issued for use at the Company's facility at Chestnut Hill Tree Farms in Alachua County, Florida near the city of Gainesville (the "**Alachua Facility**") and applies only to such facility absent the approval of a variance from the Florida Department of Health, Office of Compassionate Use. Adverse changes or developments affecting the existing facility could have a material and adverse effect on Liberty's ability to continue producing medical cannabis, its business, financial condition and prospects. See "*Risk Factors — Reliance on a Single Facility*" disclosed in the Company's Annual Information Form, which is incorporated by reference herein.

The License permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients to treat certain medical conditions in the State of Florida which conditions are delineated in Florida Statutes section 386.981. The state does not allow smoking of cannabis for medical use and does not permit the dispensing of whole flowers unless the whole flower is contained within a tamper proof container to be used with a vaporizing device. Under the terms of the License, the Company is permitted to sell medical cannabis only to qualified medical patients that are registered with the State. Only certified physicians who have successfully completed a medical cannabis educational program can register patients and their medical cannabis orders on the Florida Office of Compassionate Use Registry. The Company maintains an open and collaborative relationship with the Florida Department of Health and the Company's operations are in full compliance with all laws and regulations.

Under the License, the Company can operate up to 25 dispensaries statewide. Currently, the dispensaries can be in any geographic location within the state as long as the local municipality's zoning regulations authorize such a use and the proposed site is zoned for a pharmacy and not within 500 feet of a church or school.

In the State of Florida, only cannabis that is grown in the state can be sold in the state. As Florida is a vertically integrated system, the Company is able to cultivate, harvest, process and sell/dispense/deliver its own medical cannabis products. The State of Florida also allows the Company to make a wholesale purchase of medical cannabis from, or a distribution of medical cannabis to, another licensed dispensing organization within the state under certain circumstances such as crop failure. At the present time, the Company's principal products include cannabis oil in capsule, oral solution, sublingual solution and vaporizer forms. The sale of dry flower in the state is prohibited.

Reporting Requirements

The Florida Department of Health requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the Florida Department of Health to data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of when marijuana seeds are planted, when marijuana plants are harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. Additionally, the Florida Department of Health also maintains a patient and physician registry and the Company must comply with all requirements and regulations relative to providing required data or proof of key events to said system.

Relationship with Aphria

Concurrently with the completion of the Business Combination, Liberty and Aphria Inc. ("**Aphria**") entered into certain commercial agreements governing the relationship between the two entities, including (i) a trademark license agreement (the "**Trademark License**") with Aphria pursuant to which Liberty and its subsidiaries (including DFMMJ) obtained a license to use Aphria's trademarks identified therein for the purposes of marketing, distributing and selling medical cannabis in the State of Florida in exchange for a 3% perpetual royalty on all sales of medical cannabis and related product under Aphria's name; (ii) an investor rights agreement (the "**Investor Rights Agreement**") pursuant to which, among other things, Aphria is be entitled to certain director nomination and pre-emptive rights; and (iii) a registration rights agreement (the "**Registration Rights Agreement**") pursuant to which, among other things, Aphria will be provided with customary demand and "piggy back" registration rights. In addition, on April 25, 2017, Holdco and Aphria entered into a know-how license agreement which was amended and restated as between Aphria and Liberty Health Sciences USA Ltd. on December 1, 2017 (the "**Know-How License**"). Pursuant to the Know-How License, the Company is licensed to use any know-how (including knowledge, methodologies and techniques) made available by Aphria to the Company related to the production of medical cannabis for the purposes of cultivating, distributing and selling medical cannabis in the State of Florida. For further discussion on the Trademark License, the Investor Rights Agreement, the Registration Rights Agreement or the Know-How License, see "*Agreements for the Benefit of Aphria*" in the Company's Management Information Circular, which is incorporated by reference herein.

Recent Developments

Recent Company Developments

On November 22, 2017, the Company completed a private placement offering (the "**November 2017 Offering**") of convertible secured debentures (the "**Notes**") for gross proceeds of US$12 million to fund its continued expansion plans in the State of Florida. The Notes bear interest of 12%, payable semi-annually, and mature on November 22, 2020. Each Note has a face value of US$1,000 and is convertible into Common Shares at maturity at a conversion price of $2.00 per Common Share. The Company has the right to redeem the Notes at a premium to principal, in whole or in part, at any time prior to maturity, and the Company has a right to force conversion of the Notes into Common Shares at par plus accrued and unpaid interest if the Common Shares trade at or above $3.00 for ten consecutive trading days, on a volume weight average basis.

On December 4, 2017, the Company graduated from the OTC Pink market to the OTCQX and began trading on the OTCQX under the symbol "LHSIF".

Alico Acquisition

On January 4, 2018, the Company entered into a binding term sheet to acquire all of the issued and outstanding shares of 242 Cannabis Canada Ltd., whose wholly owned subsidiary, 242 Cannabis, LLC, has agreed to purchase a 387 acre parcel of land in Gainesville, Florida (the "**Property**") from Alico Citrus Nursery, LLC ("**Alico**"), in exchange for 18,815,322 units of the Company (the "**Alico Acquisition**"). Each unit issued as part of the Alico Acquisition purchase price is to be comprised of one common share of the Company and one-half common share purchase warrant, with each whole warrant exercisable at a price of $2.07 for a period of three years from the closing of the Alico Acquisition.

The Company had initially intended to pursue a phased expansion strategy at the Alachua Facility which it acquired in May 2017. The Company anticipates that Phase 2 of the Company's previously disclosed expansion plans, which increases the Company's grow space at the Alachua Facility from 12,000 square feet to 24,000 square feet, will be completed by February 2018. Phase 3, which would have increased production capacity to approximately 43,000 square feet and seen construction of a processing plant of 16,000 square feet, was expected to be completed by the fall of 2018. The last phase, Phase 4 was also under consideration which would have added 131,000 square feet of growing and processing capacity by the fall of 2019. The Alico Acquisition enables Liberty to expand its production capacity a year sooner than initially projected in order to meet the growing patient demand in Florida. Phases 3 and 4 at the Alachua Facility are on hold pending the completion of the Alico Acquisition.

The Property includes over 200,000 square feet of state-of-the-art greenhouses, a head house, a tissue culture lab and processing facilities which the Company intends to retrofit and is expected to transition production from Alachua to the Property by the fall of 2018. Upon completion of the retrofit, Liberty expects to have annual production capacity of 12,000 kg of medical cannabis. The use of the Property and its facilities (the "**Alico Facility**") as a cultivation facility for Liberty under the License is subject to inspections and/or approvals from the Department.

It is anticipated that the Alico Facility will include a 16,000 square foot processing facility for the extraction and refining of cannabis oils. The Alico Facility will be equipped to produce vaporizer products, including preloaded disposable pens, cartridges and pods, while allowing Liberty to continue to offer other dosage forms such as capsules, oral solutions (tinctures) and topicals. In addition, it is also anticipated that the processing area will have a commercial kitchen for the production of edibles and chewable dosage forms once the state has defined the necessary regulations. Until such time that the retrofit is completed at the Alico Facility, Liberty will continue to operate at its existing facility in Alachua which has benefited from automation and process improvements implemented by the Company since being acquired in May 2017.

The Purchase of the Property by 242 Cannabis, LLC, and the subsequent purchase of 242 Cannabis, LLC by the Company is expected to close on or prior to February 9, 2018, subject to certain conditions precedent, including the completion of satisfactory due diligence.

Rollout of Additional Dispensaries

Under the License, the Company is entitled to open up to 25 dispensaries across the State of Florida. In order to better serve the growing patient base, the Company has begun rolling out additional dispensary locations across the State. The Company opened the first location on January 9, 2018 in the Villages community in north central Florida and, to date, has also signed leases for dispensary locations in Ft. Lauderdale, Fort Myers, Port St. Lucie and St. Petersburg. The Company has developed plans for these locations and commenced construction and expects that all of these locations will be opened by May 2018. The Company expects to have 8 to 12 dispensaries open over the next 12 months with 15 to 18 dispensaries in total by 2020.

The Company is branding its dispensaries as Cannabis Education Centers recognizing the Company's philosophy in terms of educating both doctors and the public on the benefits of medical cannabis. Where possible, the Company plans on locating each dispensary beside or near one of the many doctor clinics that exist in the state. The clinics also provide patient counselling and education services consistent with the Company's approach.

Issuers with U.S. Cannabis-Related Assets

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "**Staff Notice**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the Company's operations in the United States, Liberty is properly subject to the Staff Notice and accordingly provides the following disclosure:

Nature of Involvement

The Company is licensed to operate as a "medical marijuana treatment center" under applicable Florida law pursuant to the terms of the License issued by the Florida Department of Health, Office of Compassionate Use under the provisions of the *Compassionate Medical Cannabis Act of 2014*. See "*Description of the Business — Business of the Company*". The Company operates a 36-acre facility in Alachua, Florida where the Company cultivates and sells medical cannabis. The Alachua Facility currently employs or has under contract approximately 20 full or part time staff, including lab technicians, horticulturalists, operations, sales, marketing and security personnel.

Enforcement of United States Federal Laws

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, Puerto Rico and Guam that have legalized cannabis in some form. 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 CSA and as such, violates federal law in the United States.

As a result of the conflicting views between state legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US 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 offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in

compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

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 disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memorandum**") that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute marijuana activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how actively federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. See "*United States Enforcement Proceedings*". 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. See "*Risk Factors*".

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 Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. See "*Risk Factors*".

For the reasons set forth above, the Company's existing operations in the United States, and any future operations or investments the Company may engage in, 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 cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations. 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*".

United States Enforcement Proceedings

The United States Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 ("**Rohrabacher-Blumenauer Amendment**"), which by its terms does not appropriate any federal funds to the United States Department of Justice for the prosecution of medical cannabis offenses 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, the United States government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. The Company has had cannabis-related activities in the United States since its inception, including in July 2017 when the CSE approved the Business Combination and the resulting reverse takeover and listing of the Company's Common Shares. In addition, the Company has had success completing private offerings in the past, including the November 2017 Offering which raised $12 million of capital for the Company, and has an ongoing banking relationship with WFCU Credit Union, a Canadian credit union based out of Windsor, Ontario ("**WFCU**"). The Company has never needed to access public equity capital in the United States.

Regulation of Medical Cannabis in Florida

Liberty is licensed to produce and sell medical cannabis in the State of Florida through the Department under the provisions of the Florida Legislation. The Florida Department of Health issued the License to Chestnut on November 23, 2015 and Liberty acquired the rights to the License on May 23, 2017 via the exclusive management agreement entered into between Liberty and Chestnut. On September 28, 2017, the Department approved the transfer of the License to DFMMJ, the wholly-owned subsidiary of Liberty, which now solely owns and is entitled to utilize the License in Florida.

The License permits the sale of low-THC cannabis (now grandfathered to produce and sell high-THC cannabis) and medical cannabis to treat a number of medical conditions in the State of Florida which are delineated in Florida Statutes section 386.981. Under the terms of the License, Liberty is permitted to sell medical cannabis only to qualified medical patients that are registered with the state. Only certified physicians who have successfully completed a medical cannabis educational program can register patients and their medical cannabis orders on the Florida Office of Compassionate Use Registry. Liberty maintains an open and collaborative relationship with the Florida Department of Health and Liberty's operations are in full compliance with all laws and regulations.

Under the Liberty License, Liberty can operate up to 25 dispensaries statewide. Currently, the dispensaries can be in any geographic location within the state as long as the local municipality's zoning regulations authorize such a use and/or the proposed site is zoned for a pharmacy use and is not within 500 feet of a church or school. In the State of Florida, only cannabis that is grown in the state can be sold in the state. As Florida is a vertically integrated system, Liberty (and other licensees) is required to cultivate, harvest, process and sell/dispense/deliver its own medical cannabis products. The State also allows Liberty to make a wholesale purchase of medical cannabis from, or a distribution of medical cannabis to, another licensed dispensing organization within the state

under certain circumstances such as crop failure. At the present time, Liberty's principal products include cannabis oil in capsule, oral solution, sublingual solution and vaporizer forms. The sale of dry flower in the State is prohibited.

Regulatory Framework

The State of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, which are statutorily defined as "Medical Marijuana Treatment Centers" ("**MMTC**"), to both cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

Licensing Requirements

Licenses issued by the Department may be renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. License holders can only own one license and MMTC's can operate up to a maximum of 25 dispensaries throughout the State of Florida.

Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any byproducts to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees.

Upon approval of the application by the Department, the applicant must post a performance bond of up to US$5 million, which may be reduced by meeting certain criteria such as a minimum patient count.

Dispensary Requirements

An MMTC may not dispense more than a 70-day supply of cannabis. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

Security Requirements for Cultivation, Processing and Dispensing Facilities

With respect to security requirements for cultivation, processing and dispensing facilities, an MMTC must maintain a fully operational alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, and duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with specified features. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement. An MMTC's outdoor premises must have sufficient lighting from dusk until dawn.

An MMTC's dispensing facilities must include a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area and such facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. but may perform all other operations and deliver cannabis to qualified patients 24-hours a day.

Transportation and Storage Requirements

Cannabis must be stored in a secured, locked room or a vault. An MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear an identification badge and visitors must wear a visitor pass at all times on the premises. An MMTC must report to law enforcement within 24 hours after the MMTC is notified of or becomes aware of the theft, diversion or loss of cannabis. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system and must include the: (i) departure date and time, (ii) name, address, and license number of the originating MMTC, (iii) name and address of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the MMTC employees delivering the product. Further, a copy of the transportation manifest must be provided to each individual, MMTC that receives a delivery. MMTCs must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must have their employee identification on them at all times. Lastly, at least two people must be in a vehicle transporting cannabis or cannabis delivery devices, and at least one person must remain in the vehicle while the cannabis or cannabis delivery device is being delivered.

Department Inspections

The Department shall conduct announced or unannounced inspections of MMTCs to determine compliance with the laws and rules. The Department shall inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The Department shall conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

Compliance of United States Operations

Liberty is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Florida. As further detailed above, Liberty is licensed to operate as a "medical cannabis treatment center" under applicable Florida law pursuant to the terms of the License. The License grants Liberty the authority to possess, cultivate, process, dispense and sell medical cannabis in the State of Florida. Liberty has not experienced any material non-compliance nor has been subject to any notices of violation by the Department. Although the Company's state chartered bank, First Green Bank, has recently ceased its line of business servicing businesses in the cannabis industry, Liberty maintains a banking relationship with WFCU and is capable of lawfully paying all expenses and managing its operations and assets in full compliance with all federal statutes and regulations while it seeks a replacement for First Green Bank. In the interim, the Company engages armored car services as a custodian of deposits and will continue to do so until such time as it is able to engage a bank for these purposes in the State of Florida.

The Company has implemented measures designed to ensure compliance with applicable state laws in the United States on an ongoing basis, including:

- weekly correspondence and updates with advisors;
- development of standard operating procedures;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management;
- appropriate employee training for all standard operating procedures; and
- subscription to monitoring programs to ensure compliance with the FCEN Memo (as defined herein).

CONSOLIDATED CAPITALIZATION

Other than the November 2017 Offering, there have been no material changes in the consolidated share and loan capital of the Company since August 31, 2017, the date of the Company's Interim Financial Statements.

As of January 9, 2018, the Company has 284,543,026 Common Shares issued and outstanding. Upon completion of the Offering, there will be an aggregate of 294,066,836 Common Shares issued and outstanding (295,495,407 Common Shares outstanding if the Over-Allotment Option is exercised in full).

In addition, as of January 9, 2018, the Company has options outstanding to purchase up to an aggregate 12,784,833 Common Shares and warrants outstanding to purchase up to an aggregate of 2,995,192 Common Shares.

The following table sets forth the Company's indebtedness and shareholders' equity as of August 31, 2017 on an actual basis and adjusted to give effect to the November 2017 Offering and the Offering as though they had occurred on August 31 2017. The table below should be reviewed in conjunction with the Interim Financial Statements of the Company.

Designation	Authorized	As at August 31, 2017	As at August 31, 2017, after giving effect to the November 2017 Offering	As at August 31, 2017, after giving effect to the November 2017 Offering, the Alico Acquisition and the Offering[1][2]
Debt		$0	$13,889,717	$13,889,717
Share Capital	Unlimited	$88,244,348	$88,244,348	$132,044,348
Contributed Surplus		$663,242	$663,242	$663,242
Warrants and Future Investment Rights		$769,410	$769,410	$769,410
Retained Earnings		$(26,728,349)	$(28,304,232)	$(28,304,232)
Equity		$62,948,651	$61,372,768	$105,172,768
		(284,021,193 Common Shares)	(284,021,193 Common Shares)	(312,360,325 Common Shares)

Notes:

(1) Assumes the Over-Allotment Option is not exercised.

(2) After giving effect to the Underwriters' fee of $1,200,000.06 and the expenses of the Offering on a pre-tax basis.

USE OF PROCEEDS

Proceeds

The net proceeds to the Company from the Offering are estimated to be $18,800,000.94 after deducting the payment of the Underwriters' Fee of $1,200,000.06, but before deducting the expenses of the Offering (estimated to be approximately $275,000). If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering are estimated to be $21,620,000 after deducting the Underwriters' Fee of $1,380,000, but before deducting the expenses of the Offering (estimated to be approximately $250,000).

Principal Purposes

Following completion of the Alico Acquisition, the Company intends to complete significant capital expenditures to retrofit the existing infrastructure at the Alico Facility. Such capital expenditures will include the retrofitting of the Alico Facility's greenhouses to a level commensurate with the Company's existing operations at an expected cost of approximately US$16,540,000.

The Company intends to use the estimated net proceeds to be received by the Company from the Offering as follows:

Use of proceeds	Amount
Retrofitting of greenhouse facility following completion of Alico Acquisition	$ 7,675,000
Construction of a processing plant and kitchen following completion of Alico Acqusition	$ 2,500,000
Dispensary leasehold acquisitions and build out costs	$ 5,625,000
General corporate purposes and strategic partnerships and opportunities	$ 3,000,000
Total	$18,800,000

In addition to the above funds, the Company also intends to reallocate approximately $10,000,000 of the proceeds raised in the November 2017 Offering to fund the retrofitting of the Alico Facility's greenhouse facility, which had been previously reserved for use at the Alachua Facility to fund ongoing expansion.

Until applied, the net proceeds of the Offering will be held as cash balances in the Company's bank account or invested at the discretion of the Chief Financial Officer, subject to the investment directives of the Board.

During the four month period ended August 31, 2017, the Company sustained net losses from operations and had negative cash flow from operating activities. The Company's cash and cash equivalents as at April 30, 2017 of approximately $26,365,123, and as at August 31, 2017 was approximately $11,427,292. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities. See "*Risk Factors — Negative Cash Flow from Operations*".

The above-noted allocation represents the Company's intention with respect to its use of proceeds based on current knowledge and planning by management of the Company (excluding potential contingencies, any deficiencies and cost-overages and costs to integrate future expansion with existing facilities). Actual expenditures may differ from the estimates set forth above. There may be circumstances where, for sound business reasons, the Company reallocates the use of proceeds. See "*Risk Factors — Use of Proceeds*".

If the Over-Allotment Option is exercised in full, the Company will receive additional net proceeds of $2,819,999.06 after deducting the Underwriters' Fee. The net proceeds from the exercise of the Over-Allotment Option, if any, is expected to be added to working capital.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have agreed to severally, and not jointly or jointly and severally, purchase, as principals, 9,523,810 Units at a price of $2.10 per Unit, for aggregate gross consideration of $20,000,001 payable in cash to the Company against delivery of the Units. The Offering Price has been determined by arms' length negotiation between the Company and Clarus, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares. The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of "disaster out", "regulatory out" and "breach out" provisions in the Underwriting Agreement and may also be terminated upon the occurrence of certain other stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement.

The Company has granted to the Underwriters an Over-Allotment Option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from and including the Closing Date, to purchase up to an additional 1,428,571 Over-Allotment Units at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units under this Prospectus, regardless of whether the

over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In consideration for the services provided by the Underwriters in connection with the Offering, and pursuant to the terms of the Underwriting Agreement, the Company has agreed to pay the Underwriters the Underwriters' Fee equal to 6% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option). The Company has also agreed to grant such number of Broker Warrants to the Underwriters, or as they may direct, to purchase such number of Units as is equal to 6% of the aggregate number of Units issued pursuant to the Offering (including those Units issued to pursuant to the exercise of the Over-Allotment Option). Each Broker Warrant will be exercisable for a period of 24 months following the Closing Date for one Broker Unit at an exercise price equal to the Offering Price. This short form prospectus also qualifies the distribution of the Broker Warrants.

The Offering is being made in the provinces of Ontario, British Columbia and Alberta. The Units will be offered in each of the relevant provinces of Canada through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. The Units may be offered and sold in the United States in a private placement. Subject to applicable law, the Underwriters may offer the Units in such other jurisdictions outside of Canada and the United States as agreed between the Company and the Underwriters.

The Company has applied to list the Unit Shares, Warrant Shares, Broker Unit Shares and Broker Unit Warrant Shares to be distributed under this short form prospectus on the CSE. Listing will be subject to the Company fulfilling all listing requirements of the CSE. The Company has not applied to list the Warrants. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See "*Risk Factors*".

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

Pursuant to the Underwriting Agreement, the Company has agreed not to, directly or indirectly, issue or sell or agree to issue or sell, any securities (including those that are convertible into or exchangeable into securities of the Company) for a period of 90 days from the Closing Date without the prior written consent of Clarus on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, other than pursuant to (i) the Offering, (ii) the issuance of non-convertible debt securities, (iii) upon the exercise of convertible securities, options or warrants of the Company outstanding as of the date hereof; (iv) pursuant to the Company's stock option plan or any other share compensation arrangement of the Company; (v) pursuant to any acquisition of shares or assets of arm's length persons, or (vi) in connection with any strategic transactions, investments or supply agreements between the Company and a third party, including any stock options that may be issued to any arm's length persons in connections with such strategic transactions, investments or supply agreements.

The Company has also agreed to use its commercially reasonable best efforts to cause each of the directors, executive officers and principal shareholders of the Company to enter into lock up agreements in favour of the Underwriters evidencing their agreement not to, for a period of 90 days following the Closing Date, directly or indirectly, offer, sell, contract to sell, grant an option to purchase, make any short sale or otherwise dispose of or transfer, or enter into any transaction or arrangement that has the effect of transferring, in whole or in part, any of the economic consequences of ownership of the Common Shares, or announce its intention to do any of the foregoing, whether now owned directly or indirectly, or under their control or direction other than pursuant to the terms of the lock up agreements.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain

exceptions including (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. Consistent with these requirements, and in connection with this distribution, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on the CSE, in the over-the-counter market or otherwise.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about January 26, 2018, or such other date as may be agreed upon by the Company and the Underwriters, but in any event no later than 42 days after the date of the receipt of the (final) short form prospectus. It is anticipated that the Units will be delivered under the book-based system through CDS or its nominee and deposited in electronic form. A purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system. No certificates will be issued unless specifically requested or required.

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

Any Units (including the Unit Shares and Warrants included therein), the Warrant Shares, the Broker Warrants, the Broker Unit Shares, the Broker Unit Warrants and the Broker Unit Warrant Shares offered hereby have not been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly such securities may not be offered or sold in the United States (if at all) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters may: offer and resell the Units that they have acquired pursuant to the Underwriting Agreement in the United States to persons who are "qualified institutional buyers", as such term is defined in Rule 144A under the U.S. Securities Act ("**Qualified Institutional Buyers**"), in compliance with Rule 144A under the U.S. Securities Act and applicable United States state securities laws. The Underwriters will offer and sell the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units offered under the Offering in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

Any Units offered or sold in the United States (including any underlying securities in relation thereto) will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Certificates issued representing such securities (if any) will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable United States state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable United States state securities laws.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares. As of January 9, 2018, there were 284,543,026 Common Shares outstanding. The holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Company either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company, and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

The Common Shares rank equally as to all benefits which might accrue to the holders thereof, including the right to receive dividends, voting powers, and participation in assets and in all other respects, on liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other disposition of the assets of the Company among its shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The Common Shares are not subject to call or assessment rights or any pre-emptive or conversion rights. There are no provisions for redemption, purchase for cancellation, surrender or purchase of funds.

The Unit Shares, Warrant Shares, Broker Unit Shares and Broker Unit Warrant Shares are Common Shares.

Dividends

As of the date of this Prospectus, Liberty has not declared dividends and has no current intention to declare dividends on its Common Shares in the foreseeable future. Any decision to pay dividends on its Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

Warrants

The following is a summary of the principal attributes of the Warrants and certain anticipated provisions of the Warrant Indenture mentioned hereunder. The summary does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture. A copy of the Warrant Indenture may be obtained on request from the Company's corporate secretary and will be available electronically at www.sedar.com and reference should be made to the Warrant Indenture for the full text of the attributes of the Warrants.

Each full Warrant entitles its holder, upon the payment of the exercise price of $2.65, to purchase one Warrant Share for a period of 24 months from the Closing Date. See "*Plan of Distribution*".

The Warrants will be governed by an agreement to be entered into on the Closing Date (the "**Warrant Indenture**") between the Company and Odyssey Trust Company (the "**Warrant Agent**"). The Company will designate the Warrant Agent, in its Calgary office, as agent for the Warrants. Prior to the closing of the Offering, the Company may name any other agent with respect to the Warrants.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

(i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution (other than a dividend paid in the ordinary course or a distribution of Common Shares upon the exercise of any outstanding warrants or options);

(ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;

(iii) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;

(iv) the issuance to all or substantially all of the holders of Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, of Common Shares on such record date; and

(v) the issuance or distribution to all or substantially all of the holders of Common Shares of securities, including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or property or assets and including evidences of indebtedness, or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

(i) the reclassification of Common Shares;

(ii) the amalgamation, arrangement or merger with or into any other corporation or other entity (other than an amalgamation, arrangement or merger which does not result in any reclassification of the Company's outstanding Common Shares or a change of the Common Shares into other shares); or

(iii) the transfer of the Company's undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares purchasable upon exercise by at least one one-hundredth (1/100th) of a Common Share, as the case may be.

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

No fraction of a Warrant Share will be issued upon the exercise of a Warrant and no cash payment will be made in lieu thereof. Warrant holders are not entitled to any voting rights or pre-emptive rights or any other rights conferred upon a person as a result of being a holder of Common Shares.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution or (2) adopted by an instrument in writing signed by the holders of not less than 66⅔% of the aggregate number of all then outstanding Warrants.

The Warrants will not be exercisable in the United States or by or on behalf of a "U.S. Person", nor will certificates representing the Warrant Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available.

PRIOR SALES

The following table sets forth the details regarding all issuances of Common Shares, including issuances of all securities convertible or exchangeable into Common Shares, during the 12-month period before the date of this Prospectus.

Date of issuance	Security	Issuance/Exercise price per security	Number of securities
December 4, 2017	Stock Options	$ 1.62	7,445,000
November 27, 2017	Common Shares	$ 1.20	16,833[(1)]
November 4, 2017	Common Shares	$ 1.06	505,000[(2)]
October 20, 2017	Stock Options	$ 1.07	3,000,000
July 28,2017	Stock Options	$ 1.50	600,000
July 25, 2017	Stock Options	$0.624	1,500,000
July 20, 2017	Warrants	$0.624	2,995,192[(3)]

Notes:

(1) Issued upon exercise of stock options.

(2) Issued in connection with the settlement of potential litigation related to the Company's initial acquisition of substantially all of the assets of Chestnut on March 30, 2017.

(3) Issued upon conversion of 8,985,577 Holdco broker warrants into broker warrants of the Company upon completion of the Business Combination and related consolidation.

TRADING PRICE AND VOLUME

The outstanding Common Shares are traded on the CSE under the trading symbol "LHS" and under the symbol "LHSIF" on the OTCQX. The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares for the 12-month period prior to the date of this Prospectus.

Period	High Trading Price	Low Trading Price	Volume
January 1-9, 2018	$2.66	$2.15	22,584,154
December 2017	$2.07	$1.44	32,625,181
November 2017	$2.39	$1.06	68,861,377
October 2017	$1.26	$0.97	22,676,795
September 2017	$1.15	$0.75	14,215,758
August 2017	$1.16	$0.84	10,374,731
July 26-31, 2017[(1)]	$1.33	$1.29	9,240,904

Note:

(1) Liberty started trading on July 26, 2017.

On January 9, 2018 the last day of trading prior to the date of this Prospectus, the closing price per Common Share on the CSE was $2.15 and the closing price per Common Share on the OTCQX was US$1.7334.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires a Unit pursuant to this Offering. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to a purchaser who is a beneficial owner of Common Shares and Warrants acquired pursuant to this Offering and who, for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), and at all relevant times: (i) deals at arm's length and is not affiliated with the Company or the Underwriters; and (ii) holds the Common Shares and Warrants as capital property (a "**Holder**").

Common Shares and Warrants will generally be considered to be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade.

This summary is based upon: (i) the current provisions of the Tax Act and the regulations thereunder ("**Regulations**") in force as of the date hereof; (ii) all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**"); and (iii) counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**"). No assurance can be given that the Proposed Amendments will be enacted or otherwise implemented in their current form, if at all. If the Proposed Amendments are not enacted or otherwise implemented as presently proposed, the tax consequences may not be as described below in all cases. This summary does not otherwise take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada.

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of the Government's intention to amend the Tax Act to increase the amount of tax applicable to passive investment income earned through a private corporation. Additional generic guidance on these proposals was provided by the Minister of Finance (Canada) on October 18, 2017. No specific amendments to the Tax Act were proposed in connection with these announcements. Holders that are private Canadian corporations should consult their own tax advisors.

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

Allocation of Cost

A Holder who acquires a Unit pursuant to this Offering will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Unit Share and the one-half Warrant comprising each Unit in order to determine their respective costs to such Holder for the purposes of the Tax Act.

For its purposes, the Company has advised counsel that, of the $2.10 subscription price for each Unit, it intends to allocate $1.965 to each Unit Share and $0.135 to each one-half Warrant and believes that such allocation is reasonable. The Company's allocation, however, is not binding on the CRA or on a Holder. The adjusted cost base to a Holder of each Unit Share comprising a part of a Unit acquired pursuant to this Offering will be determined by averaging the cost of such Unit Share with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant. When a Warrant is exercised, the cost to the Holder of the Warrant Share so acquired will be the aggregate of the adjusted cost base, for that Holder, of the Warrant and the price paid for the Warrant Share upon exercise of the Warrant. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share acquired upon the exercise of a Warrant with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the exercise of the Warrant.

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act ("**Resident Holder**"). This section of the summary is not applicable to a Holder: (i) that is a "financial institution" within the meaning of section 142.2 of the Tax Act; (ii) that is a "specified financial institution" as defined in subsection 248(1) of the Tax Act; (iii) that has elected to report its Canadian tax results in a currency other than the Canadian currency; (iv) an interest in which is a "tax shelter investment" for the purposes of the Tax Act, or (v) has entered into or will enter into a "derivative forward

agreement, as defined in subsection 248(1) of the Tax Act, in respect of Common Shares and Warrants. Such Holders should consult their own tax advisors.

A Resident Holder whose Common Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Common Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances. Such election is not available in respect of Warrants.

Dividends

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on the Common Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as "eligible dividends" will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act. In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" or a "subject corporation", as defined in the Tax Act, will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income for the year. This tax will generally be refunded to the corporation when sufficient dividends are paid while it is a private corporation or a subject corporation.

Dispositions of Common Shares and Warrants

A Resident Holder who disposes of or is deemed to have disposed of a Common Share or Warrant (other than on the exercise of a Warrant) will generally realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of the Common Share or Warrant immediately before the disposition or deemed disposition.

Generally, the expiry of an unexercised Warrant will give rise to a capital loss equal to the adjusted cost base to the Resident Holder of such Warrant.

The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading *"Taxable Capital Gains and Losses"*.

Taxable Capital Gains and Losses

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

The amount of any capital loss realized on the disposition or deemed disposition of a Common Share by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Share to the extent and under the

circumstances specified in the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Other Income Taxes

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains realized on the disposition of Common Shares or Warrants.

In general terms, a Resident Holder who is an individual (other than certain trusts) that receives or is deemed to have received taxable dividends on the Common Shares or realizes a capital gain on the disposition or deemed disposition of Common Shares or Warrants may be liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Common Shares or Warrants in the course of a business carried on or deemed to be carried on in Canada ("**Non-Resident Holder**"). This summary does not apply to a Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act) and such Holders should consult their own tax advisors.

Dividends

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

Dispositions of Common Shares and Warrants

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

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

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

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, the Regulations and Proposed Amendments, the Unit Shares, Warrants, and Warrant Shares, if issued on the date hereof, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**") or tax-free savings account ("**TFSA**", and collectively "**Registered Plans**"), provided that:

(i) in the case of Unit Shares and Warrant Shares, the Unit Shares or Warrant Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE); and

(ii) in the case of Warrants, the Warrant Shares are qualified investments as described in (i) above and neither the Company, nor any person with whom the Company does not deal at arm's length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan.

Notwithstanding the foregoing, if the Unit Shares, Warrant Shares or Warrants are a "prohibited investment" (as defined in the Tax Act) for a particular RRSP, RRIF, RDSP, RESP or TFSA, the annuitant, holder, or subscriber of the particular Registered Plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Unit Shares, Warrant Shares or Warrants will not be a "prohibited investment" for a trust governed by an RRSP, RRIF, RDSP, RESP or TFSA provided the annuitant of the RRSP or RRIF, the holder of the TFSA or RDSP, or the subscriber of the RESP, as the case may be, deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest", within the meaning of ss. 207.01(4) of the Tax Act, in the Company. In addition, the Unit Shares and Warrant Shares will not be a prohibited investment if such securities are "excluded property", for purposes of the prohibited investment rules, for an RRSP, RRIF, RDSP, RESP or TFSA. Annuitants under an RRSP or RRIF, holders of a TFSA or RDSP and subscribers under an RESP should consult their own tax advisors as to whether the Unit Shares, Warrant Shares or Warrants will be a prohibited investment for such RRSP, RRIF, TFSA, RESP or RDSP in their particular circumstances.

RISK FACTORS

An investment in the Units involves certain risks. When evaluating the Company and its business, prospective purchasers of the Units should consider carefully the information set out in this Prospectus and the risks described below and in the documents incorporated by reference in this Prospectus, including those risks identified and discussed under the heading "*Risk Factors*" in the Annual Information Form and under the heading "*Industry Trends and Risks*" in the Interim MD&A, each of which is incorporated by reference herein.

The risks and uncertainties described or incorporated by reference herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company is unaware of or that are currently deemed immaterial, may also adversely affect the Company and its business.

Discretion in the Use of Proceeds

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

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

No Market for Warrants

There is currently no market through which the Warrants may be sold and the Company has not applied to list the Warrants. Accordingly, the purchasers may not be able to resell the securities purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation.

Volatile Market Price of the Common Shares

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

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

Risk Factors Related to Dilution

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company. 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 stock option plan and upon the exercise of outstanding warrants.

Negative Cash Flow from Operations

During the three — and four-month period ended August 31, 2017, the Company sustained net losses from operations and had negative cash flow from operating activities. The Company's cash and cash equivalents as at April 30, 2017 of approximately $26,365,123, and as at August 31, 2017 was approximately $11,427,292. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities.

Risk Factors Related to the United States

While cannabis is legal in many US state jurisdictions, it continues to be a controlled substance under the United States federal Controlled Substances Act.

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, Puerto Rico and Guam that have legalized cannabis in some form, including Florida. Notwithstanding the permissive regulatory

environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the United States.

The United States Congress has passed appropriations bills each of the last three years that have not appropriated funds for prosecution of cannabis offenses 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. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

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.

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

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US 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 offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

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 disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, 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. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how actively federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. See "*United States Enforcement Proceedings*". 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.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets; however as of the date hereof, the Company believes and has obtained legal advice in respect thereof that proceedings of this nature are remote.

The Company's 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 United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *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, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("**FCEN**") of the Treasury Department issued a memorandum (the "**FCEN Memo**") providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo 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 Memo.

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

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

For the reasons set forth above, the Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and

other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. However, if CDS were to decide that it will not handle trades in our securities, it could have a material adverse effect on the ability of investors to make and settle trades and on the liquidity of our securities generally. 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. While there can be no assurance that this would occur, and while it would be subject to regulatory approval, a third party has publicly expressed interest in providing clearing services should CDS decide not to do so.

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

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

CORPORATE CEASE TRADE ORDERS AND BANKRUPTCIES

To the best of the knowledge of the Company, none of the directors or executive officers of the Company, nor any shareholder holding a sufficient number of securities to affect materially the control of the Company, is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

MATERIAL CONTRACTS

The only material contracts the Company has entered into, other than those contracts entered into in the ordinary course of business or described in the Company's Annual Information Form, since the beginning of the last financial year before the date of this Prospectus, or entered into prior to such date but which contract is still in effect are:

- the License;
- the Management Agreement;
- the Trademark License;
- the Know-How License Agreement;
- the Investor Rights Agreement;
- the Registration Rights Agreement; and
- the indenture dated November 22, 2017 between Liberty, DFMMJ and Odyssey Trust Company (the "**Indenture**") for the issue of $12,000,000 of Notes entitling the holders thereof to purchase an aggregate of Common Shares at a price of $2.00 per Common Share at maturity, subject to earlier redemption or forced conversion by the Company upon certain conditions being met.

Copies of such agreements are available under the Company's profile on SEDAR at http://www.sedar.com.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon on behalf of the Company by Stikeman Elliott LLP, and on behalf of the Underwriters by Borden Ladner Gervais LLP. As at the date hereof, the partners and associates of Stikeman Elliott LLP and Borden Ladner Gervais LLP, each as a group, beneficially own, directly and indirectly, in the aggregate, less than one percent of the Common Shares.

AUDITOR, TRANSFER AGENT AND REGISTRAR

MNP LLP was appointed as the auditor of the Company on October 3, 2016. MNP LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The registrar and transfer agent for the Common Shares is TSX Trust Company at its offices in Toronto, Ontario.

CERTIFICATE OF THE COMPANY

January 10, 2018

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

(SIGNED) GEORGE SCORSIS
Chief Executive Officer

(SIGNED) RENE GULLIVER
Chief Financial Officer

On behalf of the Board of Directors:

(SIGNED) VIC NEUFELD
Director

(SIGNED) JOHN CERVINI
Director

CERTIFICATE OF THE UNDERWRITERS

January 10, 2018

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

CLARUS SECURITIES INC.

(SIGNED) ROBERT ORVISS
Managing Director

ALTACORP CAPITAL INC.

(SIGNED) JEFF FALLOWS
Managing Director

liberty health sciences

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