

**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 authorized to sell such securities.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any United States of America (“**U.S.**”) state securities laws. Accordingly, these securities may not be offered or sold to or for the account or benefit of persons in the “United States” or “U.S. Persons” (as such terms are defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable U.S. state securities laws or pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. See “Plan of Distribution”.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer (“**CFO**”) of Red Light Holland Corp. 1 Adelaide Street East, Suite 801, Toronto, Ontario M5C 2V9, telephone (604) 204-7129, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

February 17, 2021



## RED LIGHT HOLLAND CORP.

**\$10,120,000**  
**23,000,000 Units**

This short form prospectus qualifies the distribution of 23,000,000 units (the “**Units**”) of Red Light Holland Corp. (the “**Company**” or “**Red Light Holland**”) at a price of \$0.44 per Unit (the “**Offering Price**”) for aggregate gross proceeds of \$10,120,000 (the “**Offering**”). Each Unit will consist of one common share in the capital of the Company (a “**Unit Share**”) and one common share purchase warrant (a “**Warrant**”). Each Warrant will entitle the holder thereof to acquire one common share in the capital of the Company (a “**Warrant Share**”, together with the Units, Unit Shares and Warrants, the “**Securities**”) at an exercise price of \$0.70 at any time prior to 4:00 p.m. (Toronto time) on the date that is 36 months following the Closing Date (as defined hereinafter), subject to the Acceleration Clause (as defined hereinafter). If the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the “**CSE**”) for any 10 consecutive days equals or exceeds \$1.52, the Company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice (the “**Acceleration Clause**”). The Units will be issued pursuant to an underwriting agreement dated February 9, 2021 (the “**Underwriting Agreement**”) between the Company and Eight Capital (the “**Underwriter**” or “**Eight**”) as sole underwriter and sole bookrunner. The terms of the

Offering, including the Offering Price, were determined by arm's length negotiation between the Company and the Underwriter.

The outstanding common shares of the Company (the "**Common Shares**") are listed and posted for trading on the CSE under the symbol "TRIP", on the Frankfurt Stock Exchange ("**FSE**") under the symbol "4YX" and on the OTC Pink Market ("**OTC**") under the symbol "TRUFF". The Company has given notice to the CSE to list the Securities on the CSE (including those underlying the Broker Warrants (as defined hereinafter). Listing will be subject to the Company fulfilling all of the listing requirements of the CSE. On February 2, 2021, the last trading day prior to the date of the announcement of the Offering, the closing price of the Common Shares on the CSE was \$0.485 per Common Share, on the FSE was €0.322 and on the OTC was US\$0.37. On February 16, 2021, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the CSE was \$0.59 per Common Share, on the FSE was €0.408 and on the OTC was US\$0.48.

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**PRICE: \$0.44 PER UNIT**

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| Per Unit                               | <u>Price to the Public</u> | <u>Underwriter's Fee<sup>(1)</sup></u> | <u>Net Proceeds to the Company<sup>(2)</sup></u> |
|--|----------------------------|--|--|
| .....                                  | <b>\$0.44</b>              | <b>\$0.031</b>                         | <b>\$0.409</b>                                   |
| Total Offering <sup>(3)</sup><br>..... | <b>\$10,120,000</b>        | <b>\$708,400</b>                       | <b>\$9,411,600</b>                               |

Notes:

- (1) Upon the closing of the Offering (the "**Closing**"), the Company will pay the Underwriter a cash commission (the "**Underwriter's Fee**") equal to 7% of the gross proceeds of the Offering (with only 3.5% on the gross proceeds purchased by purchasers on an agreed upon president's list ("**President's List**")), including proceeds realized from the sale of any Additional Units (as defined below) sold pursuant to the exercise of the Over-Allotment Option (as defined below). The Company has also agreed to issue broker warrants (the "**Broker Warrants**") entitling the Underwriter to acquire a number of Units equal to 7% of the number of Units sold under the Offering (with only 3.5% on the number of Units purchased by purchasers on the President's List), including any Additional Units sold pursuant to the exercise of the Over-Allotment Option. Each Broker Warrant shall entitle the Underwriter to purchase one Unit at the Offering Price at any time on or before the date that is 36 months after the Closing Date. See "*Plan of Distribution*".
- (2) Before deducting expenses of the Offering estimated to be \$300,000, which, together with the Underwriter's Fee, will be paid from the proceeds of the Offering.
- (3) The Company has granted the Underwriter an over-allotment option (the "**Over-Allotment Option**"), exercisable in whole or in part, from time to time, for a period of 30 days from and including the Closing Date, to purchase up to an additional 15% of the Units, being 3,450,000 Units (the "**Additional Units**") at the Offering Price per Additional Unit to cover the Underwriter's over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriter in respect of: (i) Additional Units at the Offering Price; (ii) additional Unit Shares (the "**Additional Shares**") at a price of \$0.3994 per Additional Share; (iii) additional Warrants (the "**Additional Warrants**") at a price of \$0.0406 per Additional Warrant; or (iv) any combination of Additional Shares and/or Additional Warrants (the Additional Units, Additional Shares and Additional Warrants, together, the "**Additional Securities**"), so long as the aggregate number of Additional Shares and Additional Warrants which may be issued under the Over-Allotment Option does not exceed 3,450,000 Additional Shares and 3,450,000 Additional Warrants. The grant of the Over-Allotment Option and the Additional Securities issuable upon exercise of the Over-Allotment Option are hereby qualified for distribution under this short form prospectus. A purchaser who acquires securities forming part of the Underwriter's over-allocation position, acquires such securities under this short form prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds, Underwriter's Fee and net proceeds to the Company (before deducting expenses of the Offering) in respect of the Offering will be \$11,638,000, \$814,660, and \$10,823,340, respectively. Where applicable, references to "**Offering**", "**Securities**", "**Units**", "**Unit Shares**", "**Warrants**" and "**Warrant Shares**" include the securities issuable upon any exercise by the Underwriter of the Over-Allotment Option. See "*Plan of Distribution*".
- (4) All calculations in the above and throughout the short form prospectus assumes no participation pursuant to the President's List.

The following table sets forth the maximum number of securities that may be issued by the Company pursuant to the exercise of the Over-Allotment Option and the Broker Warrants:

| Underwriter's Position | Maximum Size or Number of Securities Available | Exercise Period   | Exercise Price   |
|------------------------|--|---|--|
| Over-Allotment Option  | 3,450,000 Additional Shares and/or             | For a period of 30 days from and including the Closing Date | \$0.44 per Additional Unit                                       |
|                        | 3,450,000 Additional Warrants                  |   | \$0.3994 per Additional Share<br>\$0.0406 per Additional Warrant |
| Broker Warrants        | 1,851,500                                      | 36 months from the Closing Date                             | \$0.44 per Unit  |

The Underwriter, as principal, conditionally offers the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriter 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 Garfinkle Biderman LLP and on behalf of the Underwriter by Cassels Brock & Blackwell LLP.

Subject to applicable law, the Underwriter may, in connection with the Offering, over-allocate or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Underwriter reserves the right to close the subscription books at any time without prior notice. Closing of the Offering is expected to take place on February 24, 2021 or such other date as may be agreed upon by the Company and the Underwriter (the "**Closing Date**"). The Units are to be taken up by the Underwriter, if at all, on or before the date that is not later than 42 days after the date of the receipt for the final short form prospectus related to the Offering. The Offering will be conducted under the book-based system. A subscriber who purchases Units will receive a customer confirmation from the registered dealer from or through whom Units are purchased and who is a CDS Clearing and Depository Services Inc. ("**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 evidencing the Units are expected to be issued, except in certain limited circumstances, and registration will be made in the name of the nominee of CDS.

The Underwriter proposes to offer the Units initially at the Offering Price specified above. After a reasonable effort has been made to sell all of the Units at the Offering Price, the Underwriter may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the Company. See "*Plan of Distribution*".

**An investment in the Units is subject to various risks that should be considered by prospective subscribers including those risks inherent to the industries in which the Company operates. Prospective subscribers should carefully consider the risks described under "*Risk Factors*" before deciding whether to invest in any Units.**

**There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under the 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 head and registered office of the Company is 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9.

The Company's current business operations are based exclusively within the Netherlands, where the Company is engaged in the production, cultivation, and distribution of magic truffles to the legal recreational market within the Netherlands. Currently, the Company offers its iMicrodose brand of truffles for sale through independent third party operators of brick-and-mortar retail stores authorized to conduct operations under applicable laws and exclusively located and operated within the Netherlands ("Smart Shops"), the Company's advanced e-commerce platform, accessible online at "iMicrodose.nl" (the "E-Commerce Platform"), and an e-commerce platform (the "McSmart Platform") operated by Xena-it.nl B.V. ("McSmart").

At present, the Company's truffles are sold in 15 gram microdosing kits on both a single order and subscription basis. The Company's truffle products can only be purchased through its E-Commerce Platform by individuals who reside in the Netherlands. Products ordered through the E-Commerce Platform are delivered to end consumers exclusively within the Netherlands through an arrangement with McSmart. Access to the E-Commerce Platform is limited to individuals over the age of 18, who are required to register and process their order through the E-Commerce Platform. To date, the Company has generated revenue from selling a nominal amount of truffles on its E-Commerce Platform and no revenue has been generated from sales on the McSmart Platform. The Company's E-Commerce Platform, and the sale of its truffles on the McSmart Platform, adhere to the applicable federal privacy and advertising laws. The Company currently globally sells clothing and merchandise through its E-Commerce Platform, at iMicrodose.ca, and anticipates selling clothing and merchandise in stores in the Netherlands, the United States, Brazil, Canada and Saint Vincent in the future.

The regulation of truffles and activities pertaining to truffles within the Netherlands is unlike the regulatory framework in both Canada and the U.S. both of which have implemented robust regulatory frameworks for regulating certain controlled substances, such as cannabis, and activities relating to such controlled substances that are within the jurisdiction of the respective governmental body. In contrast, in the Netherlands, neither the federal government nor any local government has, as of the date hereof, implemented any direct regulatory or licensing framework in respect of the cultivation, production, and sale of fresh, unprocessed truffles within the Netherlands for recreational use and consumption.

Notwithstanding the absence of a direct regulatory framework in respect of truffles within the Netherlands, the Opium Act (Netherlands) (*Opiumwet*) (the "Opium Act"), the primary drug legislation in the Netherlands, prohibit the possession, production, preparation, processing, selling, delivering, transporting, importing and exporting of any drug or substance listed on the schedules/lists accompanying the Opium Act (together, the "Opium Act Lists"), as well as preparations containing one or more of such prohibited substances. As of the date hereof, the Opium Act Lists expressly name magic mushrooms, as well as psilocin (psilocine) and psilocybin (psilocybine), both of which are substances that naturally occur within both magic mushrooms and truffles. However, the Opium Act Lists do not expressly name truffles. Accordingly, and as confirmed by case law from the Supreme Court of the Netherlands (the highest court in the Netherlands), the Opium Act does not prohibit the cultivation, production, and sale of fresh, unprocessed truffles, but, solely to the extent that (i) the fresh truffles are not subject to further processing that results in such truffles becoming a preparation prohibited under the Opium Act, and (ii) the biomatter that is cultivated, produced, and sold as fresh truffles has not progressed to a stage in growth where the biomatter has transitioned from sclerotia (truffles), to become a magic mushroom (*paddo*).

Prior to commencing operations within the Netherlands, the Company obtained legal advice in respect of its proposed operations in the Netherlands, and the legal requirements applicable to such operations. As at the date hereof, the Company's operations within the Netherlands are conducted in accordance with such legal advice, and are in strict compliance with all applicable laws governing such operations. The Company oversees and monitors compliance with applicable laws in the Netherlands on an ongoing basis, with assistance of its local personnel and local counsel.

The Company does not have any direct or indirect involvement with illegal selling, production or distribution of any controlled or restricted substances in the Netherlands. In light of the regulatory environment in the Netherlands in respect of truffles, the Company does not require any specific legal or regulatory approvals or other authorizations in order to engage in the cultivation, production, distribution, and sale of truffles within the Netherlands, to the extent such activities pertain to fresh, unprocessed truffles which have not transitioned in a stage of growth to become magic mushrooms.

For a detailed description of the regulatory framework in the Netherlands, as well as the steps taken by the Company to ensure ongoing compliance with applicable laws, please see the heading in the the annual information form of the Company dated January 11, 2021 for the year ended March 31, 2020 (the "Annual Information Form") entitled "*Regulatory Overview*" and the headings entitled "*Regulatory Overview*" and "*Compliance Program*" of this short form prospectus.

Although the Company is in compliance with all applicable laws (and intends to continue to comply), there can be no assurance that new laws, regulations, and guidelines will not be enacted, or that existing or future laws and regulations will not be changed. Any introduction of new (or changes to existing) laws, regulations, and guidelines, or other unanticipated events could, among other things, (a) require the Company to implement extensive changes to its operations (which could, among other things increase compliance costs, and give rise to material liabilities), and (b) subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities. There are a number of additional risks associated with the business of the Company. See "*Risk Factors*" herein and "*Risk Factors*" in the Annual Information Form.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This short form prospectus contains or incorporates by reference “forward-looking statements” and “forward-looking information” (collectively, “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws concerning the Company’s plans for its properties, operations and other matters. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates”, “believes”, “proposed”, “intends” or “does not intend”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be, or not be, taken, occur or be or not be achieved) are not statements of fact and may be forward-looking statements.

Forward-looking statements in this short form prospectus include, but are not limited to, the speculative nature of an investment in the Units, statements with respect to the Offering, including the timing of the completion thereof and the use of the proceeds therefrom, future issuances or actual or potential sales of securities, negative operating cash flow and going concern, discretion over the use of proceeds, unpredictability, and volatility of the Common Shares, receiving approval to list the Warrants for trading, speculative nature of an investment in the Warrants, the possibility that the Warrants may not have any value, limited operating history as a public company, the expected future losses of the Company and profitability, expected production capacity and capability at its Facility (as defined hereinafter), the Company’s business objectives and milestones and the anticipated timing of execution, the performance of the Company’s business and operations and potential activities. In addition, forward-looking statements within documents incorporated by reference herein have, to the extent required by applicable securities laws to be identified therein, been identified within such documents.

Forward-looking statements are subject to certain risks and uncertainties. Although management of the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Importantly, forward-looking statements are estimates reflecting management’s current expectations and beliefs, and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management, including, but not limited to, the assumptions that: (a) current and future management will abide by the business objectives and strategies from time to time established by the Company, the Company will retain and supplement its board of directors (the “**Board**”) and management, or otherwise engage consultants and advisors, having knowledge of the industries (or segments thereof) within which the Company may from time to time participate, (b) all operations and ongoing build out at the Facility will be advanced in line with expectations and that key inputs required for production and harvesting and costs associated therewith remain unchanged and anticipated production capacity is met, (c) the Company will have sufficient working capital and the ability to obtain the financing required in order to develop the business and continue operations, (d) the Company will continue to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be, (e) no adverse changes will be made to the regulatory environment governing truffles, taxes and all other applicable matters in the Netherlands or any other jurisdiction in which the Company may from time to time conduct its business, (f) the Company will be able to generate cash flow from operations, including, through the production and sale of truffles by maintaining positive relationships with its current Industry Partners (as defined herein) in addition to establishing additional partnerships and expanding other wholesale and retail sales channels, (g) the Company will be able to execute on its business strategy, as in place from time to time, (h) if and to the extent required from time to time, the Company will be able to meet the requirements necessary to obtain and/or maintain authorizations required to conduct its business, (i) the general economic, financial market, regulatory and political conditions in which the Company operates will remain the same, (j) that the Company will be able to compete in, and remain competitive within, the truffles industry, (k) the Company will be able to effectively manage anticipated and unanticipated costs, and the Company will be able to maintain internal controls over financial reporting and disclosure, and procedures in order to ensure compliance with applicable laws. In addition, forward-looking statements within documents incorporated by reference herein may be based upon one or more additional assumptions which have, to the extent required by applicable securities laws

to be identified therein, been identified within such documents.

Forward-looking statements are subject to a variety of risks and uncertainties, many of which are beyond the Company's control, which could cause actual events or results to differ materially and adversely from those reflected in the forward-looking statements. These risks are described or referred to below under the heading "*Risk Factors*" in this short form prospectus, and under the heading "Cautionary Statements" and "*Risk Factors*" in the Annual Information Form, under the heading "Risk Management" in the management's discussion and analysis of consolidated results of operations and financial condition dated July 27, 2020 for the year ended March 31, 2020 (the "**Annual MD&A**") and under the heading "*Forward-Looking Statements*" in the amended and restated management's discussion and analysis of consolidated results of operations and financial condition for the three and six months ended September 30, 2020 and 2019 (the "**Interim MD&A**"), all of which are incorporated herein by reference.

Should one or more of the risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially and adversely from those described in the forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates, assumptions and opinions on the date the statements are made and, other than as required by applicable law, the Company undertakes no obligation to update the forward-looking statements if these beliefs, estimates, assumptions and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty or weight to forward-looking statements. Forward-looking statements made in a document incorporated by reference in the short form prospectus are made as at the date of the original document and have not been updated except as expressly provided for in this short form prospectus.

Readers are also cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements, and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or that, if any of them do so, what benefits the Company will derive therefrom.

## GENERAL MATTERS

***In evaluating whether or not to purchase Units pursuant to the Offering, a prospective investor should rely only on the information contained or incorporated by reference in this short form prospectus. In addition, prospective investors should not rely on part of the information contained in or incorporated by reference in this short form prospectus to the exclusion of others.*** Neither the Company nor the Underwriter have authorized anyone to provide a prospective investor with different or additional information. If anyone provides a prospective investor with different or additional information, such prospective investor should not rely on it. The Company and the Underwriter are not making an offer to sell or seeking an offer to purchase the securities offered pursuant to this short form prospectus in any jurisdiction where such offer or sale is not permitted. Prospective investors should assume that the information contained in this short form prospectus is accurate only as of the date of those documents and that information contained in any document incorporated by reference is accurate only as of the date of that document or other date specified in that document. Subject to the Company's obligations under applicable securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Units.

Unless the context otherwise requires, all references in this short form prospectus to the "Company", "Red Light Holland", "we", "us" and "our" refer to Red Light Holland Corp.

## FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

The financial statements of the Company incorporated by reference in this short form prospectus are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this short form prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. Certain financial figures in this short form prospectus have been converted from Euros (€), the lawful currency of the European Union, into and have been presented in Canadian dollars. All references to “dollars”, “\$” or “C\$” are to Canadian dollars. All references to “Euros” and “€” are to Euros.

The following table reflects the low, high and average rates of exchange for one Euro, expressed in Canadian dollars, for the periods noted, based on the Bank of Canada daily rate of exchange.

|         | <u>Year End December 31, 2019</u> | <u>Year Ended December 31, 2020</u> |
|---------|-----------------------------------|-------------------------------------|
| Low     | 1.4438                            | 1.4282                              |
| High    | 1.5441                            | 1.5851                              |
| Average | 1.4856                            | 1.5298                              |

On February 16, 2021, the last complete day before the filing of this short form prospectus, the Bank of Canada daily rate of exchange was €1 = \$1.5363.

As at the date hereof, the Company carries on its business substantially within the Netherlands. The Company's current exposure to exchange rate fluctuations is minimal, and to date the Company's business activities have not resulted in material exposure to foreign currency risk.

### DOCUMENTS INCORPORATED BY REFERENCE

**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 CFO of the Company at Suite 801, 1 Adelaide Street East, Toronto, Ontario M5C 2V9, telephone (604) 204-7129, or by accessing the Company's disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com).

Under the short form prospectus system adopted by the securities commissions and similar securities regulatory authorities in the relevant provinces of Canada, the Company is permitted to incorporate by reference the information filed with securities commissions and similar securities regulatory authorities in Canada, which means that the Company can disclose important information by referring to those documents. Information that is incorporated by reference is an important part of this short form prospectus. The following documents were filed with the securities commission or other similar securities regulatory authority in each of the provinces of Canada are specifically incorporated by reference in, and form an integral part of, this short form prospectus:

- (a) the material change report dated February 8, 2021 in respect of the announcement of the Offering;
- (b) the material change report dated February 3, 2021 in respect of the completion of the January 2021 Bought Deal (as defined hereinafter);
- (c) the amended and restated material change report dated January 13, 2021 in respect of the commencement of the growth of the Company's second crop of approximately 1,000,000 grams of magic truffles of three different strains;

- (d) the Annual Information Form (excluding the section entitled “Certain Documents Incorporated by Reference”);
- (e) the material change report dated January 11, 2021 in respect of the announcement of January 2021 Bought Deal;
- (f) the material change report dated January 11, 2021 in respect of the commencement of the growth of the Company’s second crop of approximately 1,000,000 grams of magic truffles of three different strains;
- (g) the management information circular dated October 29, 2020, prepared in connection with the annual general meeting of the shareholders held on November 30, 2020 (the “**Information Circular**”);
- (h) the audited consolidated financial statements for the years ended March 31, 2020 and 2019, together with the notes thereto and the auditors' report thereon;
- (i) the Annual MD&A;
- (j) the amended and restated unaudited interim condensed consolidated financial statements for the three and six months ended September 30, 2020 and 2019, together with the accompanying notes thereto;
- (k) the Interim MD&A;
- (l) the material change report dated September 4, 2020 in respect of the announcement of the arrangement with McSmart for the launch of the Company's previously announced microdosing packs;
- (m) the material change report dated August 6, 2020 in respect of the build out of the Company's production and distribution facility in the Netherlands;
- (n) the material change report dated July 23, 2020 in respect of an initial order placement for 10,000 units with McSmart;
- (o) the material change report dated July 23, 2020 in respect of the Company's engagement with RadixMotion Inc., a virtual reality company based in Delaware;
- (p) the material change report dated July 21, 2020 in respect of the closing of a non-brokered private placement for 2,904,848 units at a price of \$0.165 per unit and strategic mutual investment with PharmaDrug Inc. pursuant to which the Company issued 4,242,424 units to PharmaDrug Inc. at a deemed price of \$0.165 per unit;
- (q) the material change report dated June 25, 2020 in respect of the appointment of Tony P. Clement as senior advisor to the advisory board;
- (r) the material change report dated June 16, 2020 in respect of the closing of the second tranche of a brokered private placement (the “**June 2020 Brokered Offering**”) for 5,033,515 units at a price of \$0.165 per unit for aggregate gross proceeds of \$830,529;
- (s) the material change report dated June 12, 2020 in respect of appointment of Dr. Joseph Geraci to the advisory board;
- (t) the material change report dated June 11, 2020 in respect of the closing of the first tranche of the June 2020 Brokered Offering for 18,181,818 units at a price of \$0.165 per unit for aggregate gross proceeds of \$3,000,000;
- (u) the material change report dated June 4, 2020 in respect of the announcement of the June 2020 Brokered Offering;
- (v) the material change report dated June 4, 2020 in respect of the receipt of a lead order for the June 2020 Brokered Offering;
- (w) the material change report dated June 2, 2020 in respect of the appointment of Brad J. Lamb as chairman of the Board;

- (x) the material change report dated May 29, 2020 in respect of the Company receiving conditional approval to list on the CSE and closing the reverse takeover;
- (y) the material change report dated May 29, 2020 in respect of the announcement of the launch of the High Times Psychedelic Podcast by the Company's Chief Executive Officer (“CEO”);
- (z) the material change report dated May 29, 2020 in respect of the announcement of the engagement with Russell Peters as a consultant to the Company; and
- (aa) the material change report dated April 27, 2020 in respect of the announcement of the Company's name change to “Red Light Holland Corp.”.

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus, including any material change reports (excluding material change reports filed on a confidential basis), interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis, information circulars, annual information forms and business acquisition reports filed by the Company with securities commissions or similar regulatory authorities in Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus.

**Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such prior statement. Any statement or document so modified or superseded will not, except to the extent so modified or superseded, be incorporated by reference and constitute a part of this short form prospectus. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.**

## **MARKETING MATERIALS**

Any “template version” of “marketing materials” (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) prepared in connection with the Offering will be incorporated by reference into the final short form prospectus. However, any such template version will not form part of this short form prospectus to the extent that the contents of the template version of marketing materials have been modified or superseded by a statement contained in the final short form prospectus. Any “template version” of “marketing materials” filed on SEDAR after the date of this short form prospectus and before the termination of the distribution under the Offering will be deemed to be incorporated into this short form prospectus.

## **SUMMARY DESCRIPTION OF THE BUSINESS**

### **Overview**

Red Light Holland is an Ontario-based corporation engaged in the production, growth and sale of a premium brand of truffles to the legal, recreational market within the Netherlands, in compliance with applicable laws. As at the date hereof, Red Light Holland's operations are based exclusively within the Netherlands, where the Company is engaged in the sale and distribution of the Psilocybe Galindoi, Psilocybe Tampanensis and Psilocybe Mexicana strains of truffles under a single brand, “iMicrodose”, through Smart Shops (currently nine (9) store locations), the Company's advanced E-Commerce Platform, accessible online at “iMicrodose.nl”, and an e-commerce platform operated by McSmart, at [www.tatanka.nl](http://www.tatanka.nl). Smart Shops are retail establishments focused on the sale of psychoactive substances, generally including psychedelics and truffles, as well as related literature and paraphernalia. The Company also currently sells clothing and merchandise worldwide through its E-Commerce Platform, at [iMicrodose.ca](http://iMicrodose.ca).

The Company has established relationships with various industry partners in the truffles industry in order to begin operations, develop its brand and product recognition, and generate revenue within the Netherlands. As of the date of this short form prospectus, the Company has established working relationships with four industry partners in the truffles industry within the Netherlands, and to date, the Company's relationships with McSmart, Super Smart, SR-Wholesale B.V. and the operator of a Smart Shop under the name "House of Smart" (each, an "**Industry Partner**") have been significant contributors to the Company's ability to introduce its brand of truffles within the Netherlands. For information pertaining to the risks relating to the Company's dependence on Industry Partners, please refer to "*Risk Factors - Dependence on Third Parties*".

As one of Canada's first publicly listed companies focused on the production, growth and sale of truffles, Red Light Holland continues to remain focused on rapid growth and expansion, both organically and via strategic acquisitions, with the goal of emerging as a leader in the evolving truffles space.

Red Light Holland commenced operations within the Netherlands in August 2020. Accordingly, Red Light Holland did not generate any revenues from operations during the financial year of Red Light Holland ended March 31, 2020. As at the date hereof, management anticipates that Red Light Holland will derive more than 80% of its revenues from the sale and distribution of truffles within the Netherlands for the financial year of Red Light Holland ending March 31, 2021. The Company anticipates deriving a substantial portion of the remaining 20% of its revenues from continuing clothing and merchandise sales through its online platform at iMicrodose.ca. The Wisdom Truffle is currently being designed by Karim Rashid, and is an updated version of the Company's virtual reality experience designed by RadixMotion. The Wisdom Truffle will be a figurine expected to be produced in three different sizes and which can potentially be sold across the world in approximately late 2021. The Wisdom Truffle's intention is to highlight an iMicrodose lifestyle which promotes positivity, and connects people to an enlightened community.

Red Light Holland currently engages in the cultivation and production of truffles within a leased facility, which is an approximately 3,000 square feet, custom built, indoor growing, production and distribution facility, in Horst, the Netherlands (the "**Facility**"). The Facility, which has been fitted with appropriate heating, ventilation, and air conditioning systems to produce the optimal environment required for the indoor cultivation of (non-European Union-Good Manufacturing Practices ("**EU-GMP**")) truffles, is capable of producing up to 10,000 kilograms of truffles per year.

See "*Corporate Structure*", "*General Development of Business*" and "*Description of the Business*" in the Annual Information Form for a detailed description of the business and operations of the Company, including corporate governance of the Company's subsidiaries. Further details concerning the Company, including information with respect to the Company's assets, operations and history, are provided in the Annual Information Form and the other documents incorporated by reference into this short form prospectus. Readers are encouraged to thoroughly review these documents as they contain important information concerning the Company.

## **Recent Developments**

### *January 2021 Bought Deal*

On January 28, 2021, the Company completed a bought deal financing for aggregate gross proceeds of \$9,775,195 (the "**January 2021 Bought Deal**") pursuant to which an aggregate of 38,334,100 units (each, a "**January 2021 Unit**") of the Company were sold at a price of \$0.255 per January 2021 Unit. Each January 2021 Unit consisted of one Common Share and one Common Share purchase warrant (each, a "**January 2021 Warrant**"). Each January 2021 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.38 until July 28, 2024. In the event that the volume weighted average trading price of the Common Shares exceeds \$0.89 for 10 consecutive trading days, the Company may, upon providing written notice to the holders of the January 2021 Warrants, accelerate the expiry date of the January 2021 Warrants to the date that is 30 days following the date of such written notice. As partial consideration for its services in connection with the January 2021 Bought Deal, the Company issued to the Underwriter a total of 2,661,762 compensation options (the "**January 2021 Compensation Options**"). Each January 2021

Compensation Option may be exercised to acquire one January 2021 Unit at a price of \$0.255 until July 28, 2024.

### Product Development and Sale

In September 2020, following careful market research, the Company launched its first and primary product offering, truffles microdosing kits known as “iMicrodose Packs,” under the brand name “iMicrodose”, which are currently produced, supplied and packaged under the Company’s brand by McSmart.

In August 2020, within 3 months of its listing on the CSE, Red Light Holland commenced growing its first batch of truffles at the Facility (the “**Initial Batch**”) and in December 2020, Red Light Holland completed harvest of the Initial Batch, comprised of three separate strains of truffles.

As of the date hereof, Red Light Holland has allocated and sold 70,000 grams of truffles from the Initial Batch to SR Wholesale B.V., pursuant to their non-binding letter of intent executed in November 2020, and has allocated the remaining 15,000 grams of truffles for internal testing, sample packaging, and product photography.

### Harvesting

The cultivation of truffles begins with the sealed airtight bags, which contain the necessary substrate, and spores. The sealed airtight bags, with the aforementioned contents, must remain in a temperature controlled room for approximately 16 weeks, at which point they are ready for harvest. However, once the truffles are ready for harvest, they do not need to be harvested immediately, but rather can be harvested over a time period of up to 8 weeks. Harvesting entails opening the sealed airtight bags and separating the truffles from the substrate using a mesh. Following the mesh separation, the truffles are washed to further remove any substrate from the truffles. Once all substrate is removed from the truffles, a spinner is used to help remove excess water. Truffles are then laid out to dry until most external moisture has evaporated. Once the truffles are sufficiently dry, they are weighed and packaged into vacuum sealed bags and stored in a fridge that holds a temperature between 2-4 degrees Celsius. The costs associated with harvesting include labour, rent of the Facility, the equipment needed for harvesting, hydro and electricity costs for the water and refrigerator storage. All of the aforementioned costs are included in inventory.

### COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (“**COVID-19**”). The duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its Industry Partners. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. In the event that the operations or development of the Company or one or more of the Industry Partners is suspended or scaled back, or if the Company’s supply chains are disrupted, such events may have a material adverse effect on the Company. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse effect on the Company. See “*Risk Factors*”.

Since the outbreak of COVID-19, the Company has focused its efforts on safeguarding the health and well-being of its employees, consultants and community members. To help slow the spread of COVID-19, the Company’s employees have been working remotely, where possible, and abiding by local and national guidance put in place in Canada and the Netherlands related to social distancing and restrictions on travel outside of the home. The Company has and will continue to abide by the protocols within Canada and the Netherlands regarding the performance of work activities. However, illness to employees that may occur as a result of COVID-19 may cause material delays to the business. Due to the small size of the team, if any of the Company’s employees were to fall sick or be unable to physically attend work at the Facility due

to COVID-19, there would be a delay caused to the cultivation, harvesting, packaging, and delivering to market of the anticipated 1,000,000 grams of truffles. The Company's timelines with regards to producing and selling the 1,000,000 grams of truffles would be delayed while the Company puts alternative employment arrangements into place.

While the Company is planning to establish a storefront in the Netherlands by calendar Q3 2021, there is the possibility that this timeline will be delayed due to the continuation of COVID-19 restrictions in the Netherlands on the closure of storefronts and non-essential businesses. In addition, COVID-19 has affected consumer spending habits, and individuals may not feel comfortable returning to public spaces even once storefronts are allowed to reopen. Similarly, the Company's plans to commence Phase 3 and begin construction to obtain EU-GMP certification for the Facility by Q4 2021 may be delayed due to COVID-19. The Company expects that it will have to be flexible with postponing or adjusting timelines accordingly, depending on the impacts or expected impacts of COVID-19.

The Company intends to continue with its development plans despite the effects of COVID-19 by implementing cost-saving measures and controlling costs, particularly costs associated with building out the Facility to achieve EU-GMP compliance and the establishment of a storefront. In implementing its strategy to control costs, the Company only intends to enter into supply, construction or development contracts that can be terminated without the payment of a penalty so as to protect itself from any potential penalties incurred from the non-deliverance of contractual obligations that may be difficult or impossible to execute due to COVID-19. To the extent timelines are affected by COVID-19, the Company is building contingency plans to extend those timelines. With the temporary closure of Smart Shops within the Netherlands, the Company has realigned its operational and financial resources by focusing on online and wholesale sales, and has plans to implement a marketing campaign targeted towards the online sale of its truffles.

Although Red Light Holland initially anticipated that it would package and distribute the Initial Batch within the Netherlands under the "iMicrodose" brand, amid the uncertainty inherent in prevailing market and economic conditions due to the outbreak of COVID-19, the proposed sale to SR Wholesale B.V. presented Red Light Holland with a level of certainty as to the timely sale of the Initial Batch. The Company's decision to sell to SR Wholesale B.V. instead of under its iMicrodose brand resulted in the Company realizing \$49,758 less revenue than initially anticipated. There have been no other material effects on the Company's cash flow as a result of COVID-19. While the Company's customers have been impacted by COVID-19 and the impact of that going forward is not entirely certain, the effect of COVID-19 on the Company's revenue streams has not been detrimental. The only effect of COVID-19 on the Company's financial condition, cash flows, and financial performance has been the loss of revenue pursuant to the decision to sell the Initial Batch through wholesale. The Company has not experienced any material logistical issues either with the Company's ability to cultivate and produce product or with the Company's ability to procure raw materials to facilitate production. However, notwithstanding the above, the Company may experience additional unanticipated impacts on its financial condition and revenue streams due to COVID-19 that may cause it to have to reassess and readjust its development plans.

#### *SR Wholesale Letter of Intent*

In November 2020, Red Light Holland entered into a non-binding letter of intent (the "**SR Wholesale LOI**") with SR Wholesale, a Netherlands-based distributor of (among other things) truffles and other Smart Shop products, with an established distribution network of companies with operations in both in the Netherlands, and internationally. The SR Wholesale LOI contemplates Red Light Holland's acquisition of 100% of the equity interest in SR Wholesale, for aggregate consideration of approximately \$1,862,808, with a portion of the purchase price to be deferred and paid pursuant to a convertible promissory note to be issued by Red Light Holland on closing of the transaction.

Red Light Holland is currently conducting extensive due diligence on the business and operations of SR Wholesale, which is expected to be completed on or before February 28, 2021, following which, the parties expect to enter into a binding agreement in respect of the transactions contemplated in the SR Wholesale LOI.

The details of the SR Wholesale LOI are also described in Section G of “Developments Subsequent to the Financial Year ended March 31, 2020” in the Annual Information Form.

#### Halo Labs Joint Venture

In November 2020, Red Light Holland entered into a non-binding letter of intent (the “**Halo Labs LOI**”) with Halo Labs Inc. (“**Halo Labs**”), a Canadian, vertically-integrated cannabis company engaged in the cultivation, extraction, manufacturing and distribution of cannabis flower, oils, and concentrates, in order to establish a future joint venture (the “**Oregon Joint Venture**”) to engage in the manufacturing and supply psilocybin products to licensed facilities in the State of Oregon, U.S.

The Halo Labs LOI was entered into following the passage of Ballot Measure 109 in the State of Oregon (“**Measure 109**”), whereby voters voted for the State of Oregon to progress towards becoming the first U.S. state to allow the use of psilocybin for therapeutic use. Although psilocybin remains illegal under federal U.S. laws as of the date of this short form prospectus, Measure 109 authorizes the Oregon Health Authority (“**OHA**”) to establish (over the course of a 2 year period) a regulatory framework to permit the manufacture, delivery, and administration of psilocybin at supervised, licensed facilities within the State of Oregon.

As of the date of this short form prospectus, the OHA has neither established a program nor regulations to govern the sale and distribution of psilocybin products within the State of Oregon. The Oregon Joint Venture is not expected to be established until such time as the OHA has established such regulatory framework, and the market and regulatory conditions within the State of Oregon present a viable business opportunity for Red Light Holland and Halo Labs.

The details of the Halo Labs Joint Venture are also described in Section H of “Developments Subsequent to the Financial Year ended March 31, 2020” in the Annual Information Form.

#### Psychedelic Insights Letter of Intent

In December 2020, Red Light Holland entered into a non-binding letter of intent (the “**Psychedelic Insights LOI**”) with Psychedelic Insights B.V. (“**Psychedelics Insights**”) to acquire a 51% interest in Psychedelic Insights, with the parties intending to enter into a formal definitive agreement in respect of the proposed acquisition (the “**Psychedelics Insights Definitive Agreement**”). Psychedelic Insights is a Netherlands-based company engaged in providing psychedelic assisted therapy using truffles to individuals from across the globe.

The consideration for the acquisition is expected to be set forth in the Psychedelics Insights Definitive Agreement. However, the Psychedelic Insights LOI contemplates such consideration to be comprised of a cash payment of approximately \$233,000 (payable in equal installments over a two year period), the issuance of 200,000 options, and a \$50,000 investment by Red Light Holland into Psychedelic Insights.

As of the date of this short form prospectus, the parties have not entered into the Psychedelics Insights Definitive Agreement, however, Red Light Holland has begun conducting due diligence on the business and operations of Psychedelic Insights.

The details of the Psychedelic Insights LOI are also described in Section I of “Developments Subsequent to the Financial Year ended March 31, 2020” in the Annual Information Form.

#### Disruptive Pharma Joint Venture

In December 2020, Red Light Holland entered into a non-binding letter of intent (the “**Disruptive Pharma LOI**”) with Disruptive Pharma LLC (“**Disruptive Pharma**”), a Latin America-focused pharmaceutical investment company focused on developing innovative solutions for the health and wellness industry, in order to establish a future joint venture (the “**Disruptive Pharma Joint Venture**”) to cultivate, manufacture, and commercialize truffles for the Brazilian market, and to explore other potential business opportunities.

The Disruptive Pharma Joint Venture is subject to the parties entering into a formal definitive agreement in respect thereof (the “**Disruptive Pharma Joint Venture Agreement**”).

Pursuant to the Disruptive Pharma LOI, Red Light Holland and Disruptive Pharma are expected to each hold a 50% interest in a new entity to be formed to undertake the Disruptive Pharma Joint Venture. The parties are expected to share equally the costs and expenses associated with the Disruptive Pharma Joint Venture, with Red Light Holland expected to be entitled to 51% of the profits generated through the Disruptive Pharma Joint Venture. As of the date of this short form prospectus, the parties have not entered into the Disruptive Pharma Joint Venture Agreement but continue to negotiate its terms.

The details of the Disruptive Pharma Joint Venture are also described in Section J of “Developments Subsequent to the Financial Year ended March 31, 2020” in the Annual Information Form.

### Mera Life Acquisition

In December 2020, Red Light Holland entered into a non-binding term sheet (the “**Mera Life Term Sheet**”) with Mera Life Sciences LLC (“**Mera Life**”), a company focused on developing a modern medicinal industry in St. Vincent and the Grenadines, to acquire a 100% interest in Mera Life, subject to the parties entering into a formal definitive agreement in respect of the proposed acquisition (the “**Mera Life Definitive Agreement**”). The consideration for the acquisition is expected to be set forth in the Mera Life Definitive Agreement. However, the Mera Life Term Sheet contemplates such consideration to be comprised of approximately \$2,500,000 in Common Shares, with such shares to be subject to vesting over a one year period. As of the date of this short form prospectus, the parties have not entered into the Mera Life Definitive Agreement, however, Red Light Holland is in the midst of conducting extensive due diligence on the business and operations of Mera Life, which is expected to be completed on or before February 28, 2021.

The details of the Mera Life Acquisition are also described in Section K of “Developments Subsequent to the Financial Year ended March 31, 2020” in the Annual Information Form.

### **Online Platforms**

The Company operates an age-gated online platform (iMicrodose.nl) for customers (the “**E-Commerce Platform**”). The E-Commerce Platform is intended to be used for the sale of Red Light Holland’s iMicrodose Packs, as well as for the sale of Company clothing and merchandise. The E-Commerce Platform does not sell any truffles from any third parties. The iMicrodose Packs are sold on both a single order basis and a subscription basis, with product orders delivered to end consumers within the Netherlands through an arrangement with McSmart. Access to the E-Commerce Platform is limited to individuals over the age of 18, who may purchase the iMicrodose Packs for delivery within the Netherlands by registering and processing their order through the E-Commerce Platform. The truffles are currently only available for sale in the Netherlands, while the clothing and merchandise is available for sale worldwide on iMicrodose.ca. Red Light Holland has generated revenue from selling a nominal amount of truffles on its E-Commerce Platform as a result of a launch party, press releases, and media attention.

Prior to launching the E-Commerce Platform, the Company’s external counsel undertook a review of the applicable federal privacy and advertising laws and launched the E-Commerce Platform in a manner intended to ensure compliance with such laws. The Company consulted the *Dutch Advertising Code* (the “**Advertising Code**”) and confirmed that its advertising activities would not violate the Advertising Code. For more details, please see “*Regulatory Overview – E-Commerce*”.

Red Light Holland also sells its truffles through an e-commerce platform operated by McSmart (the “**McSmart Platform**”), at www.tatanka.nl. The McSmart Platform is an age-gated online platform that requires customers to read and comply with terms and conditions outlining the legal status of a product sold based on the country of purchase. Red Light Holland receives a portion of the sales of its truffles sold on the McSmart Platform, however, as of the date of this short form prospectus, the Company has not yet received any revenue from sales on the McSmart Platform. The Company’s Dutch Counsel reviewed the

privacy policies of the McSmart Platform to ensure that the Company adheres to federal privacy and advertising laws in selling its products on the McSmart Platform.

## Interim MD&A

In the section entitled “Business of Red Light Holland Corp. (following completion of the Transaction)” at page “6” of the Interim MD&A, the Company made certain assumptions based on material factors concerning the Company’s ability to have its Second Batch of approximately 1,000,000 grams of the Psilocybin Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles (the “**Second Batch**”) available for harvest in Q2 2021, and allocated for packaging and distribution within the Netherlands (under the iMicrodose brand) and wholesale distribution, as early as calendar Q2 2021. The Company supersedes those assumptions to the following: (a) the Company’s temperature control system, filtration system, and other equipment used for the production and assembly processes required to support the packaging and distribution of truffles continue to operate in good working order; (b) the growth rate of the current batch of truffles being produced at the Facility, when compared to the Company’s historical yield of 100,000 grams and historical reductions of 15%, produces an adequate supply of truffles based on the Company’s historical ratio to offset potential reductions in quantities resulting during the harvesting of truffles (c) the growth process presently employed by the Company in respect of its Second Batch of truffles being adequate to support the anticipated yield of such truffles within the timelines anticipated by the Company, (d) the Company’s informal arrangements, relationships and/or discussions with wholesale distributors and/or operators of brick-and-mortar retail stores (Smart Shops) in the Netherlands become or translate into one or more binding contract(s) for the sale and distribution of the Company’s Second Batch of truffles, before the point of distribution, and further, are adequate to distribute and offer for sale the Second Batch within the timelines anticipated by the Company (see “*Risk Factors - Risk Related to the Company’s Business and Industry – Reliance on Informal Arrangements*”), (e) the current expressions of interest and discussions with third party brick-and-mortar retail stores (Smart Shops), and the e-commerce platform operated by McSmart, an Industry Partner of the Company, generate adequate demand for the Company’s brand of truffles, (f) the Company’s employees who cultivate, harvest, package and deliver to market the truffles on a timely basis are able to continue to do so, and (g) the Company’s historical yield of 100,000 grams provides an adequate basis for the production of new batches of truffles.

In the section entitled “Significant Projects” at page “13” of the Interim MD&A, the Company made certain assumptions based on material factors concerning the Company’s ability to begin the build-out of the Facility to obtain EU-GMP certification in calendar Q1 2021. The Company supersedes those assumptions to the following: (a) the preliminary estimates received from the independent consultants engaged during Phase 1 and Phase 2 in respect of the costs (approximately \$1,230,000) and timelines (approximately 12 months from the commencement of Phase 3) to build-out the Facility to obtain EU-GMP certification being materially accurate, with the Company’s financial resources being sufficient to commence and complete Phase 3 within the timelines anticipated by the Company, and cover the costs of material variances in the aforesaid preliminary cost estimates, (b) the Company’s plan to proceed with the build-out of the Facility as currently contemplated (within approximately 12 months from the commencement of Phase 3 and at a cost of approximately \$1,230,000) being (i) materially accurate and feasible in light of the regulatory environment, both within the Netherlands in respect of the Company’s business and operations, and in respect of the regulatory framework governing EU-GMP certification, and (ii) not materially affected by changes in such regulatory environment or unanticipated future developments (including, but not limited to, potential disruptions to supply chains which could affect the Company’s ability to obtain the materials required to complete the build-out of its Facility), and (c) the contractors and/or personnel necessary to undertake Phase 3 and complete the build-out of its Facility continue to be readily available, and willing to enter into favourable contractual arrangements with the Company in respect thereof in light of the Company’s beliefs as to the immediate and potential impact of COVID-19 on the general economic, financial, market and political conditions in the Netherlands. The Company notes the following in respect of the foregoing material assumptions: (1) The Company’s assumption as to its plan to proceed with the build-out of the Facility to obtain EU-GMP certification being materially accurate is based on preliminary guidance received by the Company from the independent consultants engaged during Phase 1 and Phase 2. Among other things, the Company received preliminary guidance in respect of the approximately 12 month-period to complete the build-out of the Facility as currently contemplated, which, upon completion,

will allow the Company to submit an application to obtain EU-GMP certification. (2) As of the date hereof, the Company has not entered into any agreements with contractors and/or personnel to undertake the build-out of the Facility. In the Company's view, in light of the Company not having undertaken Phase 3, entering into such agreements may be premature at the present time. However, based on the Company's informal assessment, the Company does not anticipate the build-out of the Facility to be unusual or to require specialized labour or materials or personnel. Accordingly, the Company does not anticipate material difficulties in entering into agreements with contractors and/or personnel to complete the build-out of the Facility in the future. Based on the information currently available, the Company does not anticipate requiring more than 10 contractors and/or personnel to undertake the build-out of the Facility in order to complete construction and submit an application to obtain EU-GMP certification. Based on the Company's informal assessment of the labour force and employment conditions and demand within the Netherlands, the Company does not anticipate material difficulties in retaining such contractors, employees, and/or personnel on terms acceptable to the Company. (3) The Company notes that in order to submit an application to obtain EU-GMP certification for the Facility, the Company will be required to undertake and complete Phase 3, as part of which the Company, together with a Phase 3 consultant, will need to identify the approvals, permits, and/or licenses which are required by the Company in order to obtain EU-GMP certification for the Facility. The Company clarifies that as of the date hereof, it has neither determined, nor applied for, the approvals, permits, and/or licenses which may be required to obtain EU-GMP certification for the Facility.

## REGULATORY OVERVIEW

### General

The regulation of truffles and activities pertaining to truffles within the Netherlands is unlike the regulatory framework in both Canada and the U.S. with respect to certain controlled substances. Both Canada and the U.S. have implemented robust regulatory frameworks for regulating certain controlled substances, such as cannabis, and activities relating to such controlled substances that are within the jurisdiction of the respective governmental bodies (such as, the cultivation, distribution, sale and possession of cannabis). However, in the Netherlands, neither the federal government nor any local government has implemented any direct regulatory or licensing framework in respect of the cultivation, production, and sale, and recreational consumption of fresh, unprocessed truffles within the Netherlands. As such, the Netherlands does not directly regulate the cultivation, distribution, sale and possession of fresh, unprocessed truffles, whether at the federal level or at a local level. However, to the extent truffles are subject to processing, or have transitioned in a stage of growth to become magic mushrooms, such biomatter will, at such point in time, become a controlled substance that is subject to direct federal regulation in the Netherlands under the Opium Act.

In light of the regulatory environment in the Netherlands in respect of truffles, participants within the truffles industry within the Netherlands do not require any special licenses or other authorizations in order to engage in the cultivation, production, distribution, and sale of truffles within the Netherlands, to the extent such activities pertain to fresh, unprocessed truffles which have not transitioned in a stage of growth to become magic mushrooms. See "*Risk Factors*" and the sections entitled: "*Regulatory Overview*" and "*Risk Factors*" in the Annual Information Form.

### The Opium Act

The Opium Act is the primary drug legislation in the Netherlands. Articles 2 and 3 of the Opium Act prohibit the possession, production, preparation, processing, selling, delivering, transporting, importing and exporting of any drug or substance listed on the Opium Act Lists, as well as preparations containing one or more of such prohibited substances. Articles 2 and 3 of the Opium Act also prohibit the above-noted activities in respect of a number of plants or parts of plants which are named in the Opium Act Lists.

Under the legislative framework of the Opium Act, and as confirmed by case law from the Supreme Court of the Netherlands (the highest court in the Netherlands), insofar as the Opium Act Lists include certain compounds and preparations but not the organic matter within which those compounds occur naturally, the

prohibitions in Articles 2 and 3 of the Opium Act do not relate to unlisted organic matter (and parts thereof). The Opium Act Lists expressly name magic mushrooms, as well as psilocin (*psilocine*) and psilocybin (*psilocybine*), both of which are substances that naturally occur within both magic mushrooms and truffles. However, the Opium Act Lists do not expressly name truffles. The consequence of this exclusion is that, in light of the legislative framework of the Opium Act, and case law from the Supreme Court of the Netherlands, Articles 2 and 3 of the Opium Act do not prohibit the cultivation, production, and sale of fresh, unprocessed truffles, but, solely to the extent that (i) the fresh truffles are not subject to further processing that results in such truffles becoming a preparation prohibited under the Opium Act, and (ii) the biomatter that is cultivated, produced, and sold as fresh truffles has not progressed to a stage in growth where the biomatter has transitioned from sclerotia (truffles), to become a magic mushroom (*paddo*). In short, the lack of direct regulation of fresh, unprocessed truffles and the cultivation, distribution, sale and possession of fresh, unprocessed truffles does not mean that activities pertaining to truffles are entirely unregulated, but rather, unregulated only to the extent that such activities pertain to fresh unprocessed truffles, which have not transitioned to a stage of growth to become magic mushrooms. See “*Risk Factors*” and the sections entitled: “*Regulatory Overview*” and “*Risk Factors*” in the Annual Information Form.

## Local Laws

Although the activities of the Company and its Industry Partners within the Netherlands, insofar as they relate to cultivation, production, distribution, and sale of fresh, unprocessed truffles, may be largely unregulated by federal legislation in the Netherlands, such activities could from time to time become subject to, where applicable, non-uniform rules in the form of local ordinances and municipal by-laws (i.e. General Municipal By-Law (*Algemene Plaatselijke Verordening*)) (the “**Local Rules**”) from time to time enacted by municipalities within the Netherlands (for example, rules which require Smart Shops to be located beyond a certain specified distance from secondary schools).

The Local Rules establish general municipal rules with respect to public order and safety within a certain municipality, and stipulate, among other things, certain permit requirements for certain ordinary course activities applicable to different forms of businesses operating within a certain local municipality (such as, catering businesses, cafes, hotels, bars, etc.). For example, Local Rules applicable to the retail business sector may control, among other things, usability of public roads, opening and closing times, noise pollution, advertising and pamphlets, and shop displays.

There are over 300 local municipalities in the Netherlands, each of which has implemented different forms of Local Rules pertaining to public order and safety to govern the general business affairs within their respective municipality. Of such municipalities, only a handful of municipalities have extended ordinary permit requirements generally applicable to certain businesses to Smart Shops. As at the date of this short form prospectus, the Company’s iMicrodose Packs are available in nine (9) Smart Shops operated by third parties within the Netherlands (including McSmart). To the knowledge of the Company after due inquiry, none of these municipalities have implemented any licensing or permit requirements applicable to Smart Shops. In light of, among other things, its prominence as a tourist hot spot, Amsterdam has, however, implemented a municipal zoning plan which is generally applicable to all businesses operating within Amsterdam (including Smart Shops) and is not specifically directed at Smart Shops. See “*Risk Factors*” and the sections entitled: “*Regulatory Overview*” and “*Risk Factors*” in the Annual Information Form.

## E-Commerce

The Netherlands has not enacted a legal or regulatory framework directly governing the promotion and offer for sale of truffles through e-commerce platforms. However, the Dutch Advertising Code Authority (*Stichting Reclame Code*) (the “**DACA**”) has implemented the Advertising Code, which stipulates certain rules pertaining to advertising by various businesses within the Netherlands, with certain specialized rules applying to certain types of products such as foods, alcohol and tobacco. Among its general requirements, the Advertising Code stipulates, for example, that advertising shall not be dishonest or misleading, or aggressive. The Company consulted with the DACA prior to launching its E-Commerce Platform, in the course of which, the Company confirmed that its advertising activities would not be strictly subject to any specific requirements in respect of its activities as they relate to the advertising and promotion of truffles.

The Company's Dutch Counsel also confirmed that the sale of its truffles on the e-commerce platform of one of its Industry Partners adheres to federal privacy and advertising laws. However, the Company has adopted an ethical approach to marketing and advertising, whereby the Company voluntarily identifies and adheres to certain industry best practices which generally apply to businesses, and where possible, applies certain requirements applicable to tobacco and alcohol to the E-Commerce Platform, *mutatis mutandis*, taking care to, for example, avoid displaying, suggesting or encouraging excessive or otherwise irresponsible consumption. See "*Risk Factors*" and "*Summary Description of the Business – Online Platforms*" and the sections entitled: "*Regulatory Overview*" and "*Risk Factors*" in the Annual Information Form.

### **Risk Exposure Resulting from Regulatory Environment**

Unlike companies engaged in the cannabis industry within the U.S., for example, the regulatory environment within the Netherlands does not, in and of itself, subject the Company to a heightened risk of third-party providers suspending or withdrawing services as a result of inherent uncertainty in the regulatory environment, or to a heightened risk of a regulatory body imposing restrictions on the Company's ability to operate within the Netherlands. However, the Company continues to be subject to all of the usual risks and uncertainties of conducting operations in any given industry, including, among others, the risk that its Industry Partners may become bankrupt, have economic or business interests or goals that are inconsistent with the Company's business interests or goals, or take actions that are contrary to instructions from the Company or to applicable laws, any of which can damage the Company's reputation and brand. See "*Risk Factors*" and the sections entitled: "*Regulatory Overview*" and "*Risk Factors*" in the Annual Information Form.

## **COMPLIANCE PROGRAM**

### **Compliance with Applicable Laws**

Prior to commencing operations within the Netherlands, the Company obtained legal advice in respect of its proposed operations in the Netherlands, and the legal requirements applicable to such operations. The Company's operations within the Netherlands are conducted in accordance with such legal advice, and are compliant with all applicable laws governing such operations. To date, the Company has not received any notice of non-compliance, or received any citations or notices of violation from any governmental authority in the Netherlands which could have an adverse impact on the Company's business operations. Further, to the best of the Company's knowledge, the activities of the Industry Partners (including PharmaDrug Inc. and all its current Industry Partners) within the Netherlands, insofar as such activities relate to cultivation, production, distribution, and sale of fresh, unprocessed truffles, are in compliance with applicable laws governing such activities.

The President and CEO of the Company are generally responsible for monitoring the operations of the Company in the Netherlands and oversee, and where appropriate participate in, local site visits by qualified professionals in order to verify the Company's compliance with applicable laws. Such monitoring is focused on, among other things, reviewing compliance with recordkeeping and standard operating procedures implemented by the Company from time to time, the Local Rules, and overseeing all communications with applicable regulatory bodies. The President and CEO of the Company also oversee random audits of all of the Company's operations, as well as the training, process validation, and problem resolution when compliance questions arise.

The Company continues to monitor industry best practice and developments within the Netherlands on an ongoing basis, and takes the following measures to ensure its continued compliance with applicable laws:

- The Company retains appropriately experienced legal counsel and other professionals to advise the Company and conduct the necessary due diligence to ensure that its operations and the operations of its Industry Partners comply with applicable laws.

- Management, together with legal counsel and other professional advisors to the Company, screen Industry Partners with which the Company proposes to establish relationships, in order to select those operators which (i) adhere to strict business practice standards satisfactory to the Company, (ii) have established adequate internal compliance mechanisms to monitor compliance with applicable laws (if any), and, (ii) to the extent required, possess the applicable authorizations to carry on business operations in the Netherlands. In particular, the Company screens Industry Partners to ensure, among other things, that each Industry Partner:
  - is duly registered with the Netherlands Chamber of Commerce, which is the official registrar of companies within the Netherlands;
  - is duly registered to pay the Value Added Tax (“VAT”), which is a tax that is levied in the Netherlands on most goods and services (including, the sale of truffles at a rate of 21%);
  - has an established relationship with a recognized banking institution in the Netherlands; and
  - has obtained, to the extent required under the Local Rules of the applicable municipality in which an Industry Partner carries on business operations, the requisite permits to carry on its business operations.
- The Company reviews its products and product packaging, in consultation with appropriately experienced legal counsel and other professionals, to ensure that the products comply with applicable laws and contain the necessary disclaimers about the contents of the products to prevent adverse public health consequences from use.

In addition to the foregoing, the Company relies on the expertise and commitment of management, legal advisors, and independent consultants, and to this end, consults with such personnel on an ongoing basis, as the Company may deem appropriate in the circumstances, to ensure compliance with applicable laws. In particular, the Company retains and consults with qualified external consultants and legal counsel in order to establish strict growth and cultivation parameters and procedures, and ensure that its cultivation and production operations comply with applicable laws in effect from time to time. In particular, in order to comply with the Opium Act, the Company grows and cultivates its truffles in sealed, airtight bags, in a manner currently employed by existing participants in the truffles industry, in order to create a precise and controlled environment that is unsuitable for the growth of magic mushrooms (and thereby preclude the truffles from transitioning to become magic mushrooms). Further, in respect of Smart Shops located across the Netherlands, the Company has reviewed the applicable municipal zoning plan, and has verified that such Smart Shops are in compliance therewith.

The Company will continue to evaluate, monitor and reassess its disclosure in respect of its operations within the Netherlands (and any related risks) on an ongoing basis, with the view to supplementing and amending such disclosure in its prospective public filings where necessary, including in the event of any government policy changes or, the introduction of new or amended guidance, laws or regulations pertaining to truffles within the Netherlands. See “*Risk Factors*” and the sections entitled: “*Regulatory Overview – Compliance with Applicable Laws*” and “*Risk Factors*” in the Annual Information Form.

## **CONSOLIDATED CAPITALIZATION**

The following table sets forth the consolidated capitalization of the Company: (i) as at September 30, 2020, (ii) as at September 30, 2020 after giving effect to the Offering (including the exercise of the Over-Allotment Option in full), and (ii) as at January 31, 2021 after giving effect to the Offering (including the exercise of the Over-Allotment Option in full). The table should be read in conjunction with the financial statements and notes thereto incorporated by reference in this short form prospectus.

|                 | Authorized | As at September<br>30, 2020 <sup>(1)</sup> | As at September<br>30, 2020, after<br>giving effect to<br>the Offering | As at January 31,<br>2021, after giving<br>effect to the<br>Offering |
|-----------------|------------|--|--|--|
| Common Shares   | Unlimited  | 227,718,409<br>Common Shares               | 254,168,409<br>Common Shares   | 328,506,525<br>Common Shares   |
| Warrants        | -          | 39,232,605<br>Warrants                     | 65,682,605<br>Warrants   | 75,762,160<br>Warrants   |
| Broker Warrants | -          | 5,982,008<br>Broker Warrants               | 7,833,508<br>Broker Warrants   | 6,756,835<br>Broker Warrants   |

Notes:

- (1) As at September 30, 2020, the Company had 39,232,605 warrants, 5,982,008 broker warrants and 10,600,000 stock options each exercisable to acquire one Common Share, for 283,533,022 Common Shares outstanding on a fully diluted basis.
- (2) As at January 31, 2021, the Company had 49,312,160 warrants, 4,905,335 broker warrants and 11,216,668 stock options each exercisable to acquire one Common Share, for 367,490,688 Common Shares outstanding on a fully diluted basis.

There have been no material changes in the Company's share capital, on a consolidated basis, since the date of the Company's financial statements for the three and six months ended September 30, 2020, which have not been disclosed in this short form prospectus or the documents incorporated by reference herein except for an aggregate of: (i) 1,333,332 Common Shares issued pursuant to exercise of 1,333,332 stock options; (ii) 28,254,545 Common Shares issued pursuant to exercise of 28,254,545 warrants; (iii) 5,363,508 Common Shares issued pursuant to exercise of 5,363,508 broker warrants; (iv) 1,052,631 Common Shares issued to the Company's head of design; (v) the issuance of 1,625,073 warrants underlying the units upon the exercise of 1,625,073 broker warrant units that were exercised; and (vi) the issuance of 38,334,100 Common Shares and 38,334,100 warrants, and 2,661,762 broker warrants under the January 2021 Bought Deal.

### USE OF PROCEEDS

The net proceeds to the Company from the Offering are estimated to be \$9,111,600, after deducting from the gross proceeds (i) the Underwriter's Fee (\$708,400), and (ii) the expenses of the Offering (estimated to be approximately \$300,000). If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering are estimated to be \$10,523,340, after deducting from the gross proceeds (i) the Underwriter's Fee (\$814,660.00), and (ii) the expenses of the Offering (estimated to be approximately \$300,000).

The net proceeds of the Offering, assuming no exercise of the Over-Allotment Option, are currently intended to be used as outlined below. The net proceeds from the exercise of the Over-Allotment Option, if any, are expected to be used for general corporate and other working capital purposes.

| Use  | Allocation of Net Proceeds |
|--|----------------------------|
| Potential Merger and Acquisition Opportunities | \$9,111,600                |
| <b>Total</b>                                   | <b>\$9,111,600</b>         |

The Company expects that the use of proceeds from the Offering will advance its overall business and growth plans, which may include new merger and acquisition opportunities (collectively, "**Potential Acquisitions**") beyond those currently contemplated by the SR Wholesale LOI, Oregon Joint Venture, Psychedelic Insights LOI, Disruptive Pharma LOI and Mera Life Term Sheet (collectively, "**Pending Acquisitions**"). Any Potential Acquisitions remain subject to the normal risks and uncertainties that prevail in the businesses in which the Company is engaged. See "*Cautionary Note Regarding Forward-Looking Information*" and "*Risk Factors*" in this short form prospectus and the AIF.

Management of the Company will evaluate Potential Acquisitions as they arise from time to time and will, subject to the approval of the Company's board of directors, pursue those which they determine are strategic for, and in the best interests of, the Company and accretive to securityholders of Company. Any future merger and acquisition opportunities are expected to be focused on targets operating in the jurisdictions in which the Company currently operates and those of the Pending Acquisitions, and that are conducting activities aligned with the activities currently conducted by the Company or those contemplated by the Pending Acquisitions. However, the Company may assess and consider Potential Acquisitions of targets in new jurisdictions with favorable legal and regulatory regimes or with an expanded scope of business, if such opportunities present themselves.

The growth strategy of the Company is an ongoing process and there is no one particular significant event or milestone that must occur for the Company's growth strategy to be executed other than the identification, negotiation and implementation of one or more accretive acquisitions as indicated above.

The Company reviews and analyzes potential opportunities as they arise, but until the Company is able to determine which acquisition(s) to undertake, it cannot precisely estimate how much of the proceeds of the Offering will be used towards any particular acquisitions, if any. At this time, the Company has not entered into any letters of intent in respect of or settled the terms of any Potential Acquisition, and while there are no definitive plans in place to expand into any additional markets, the Corporation is continuing to evaluate various opportunities and intends to utilize the funds raised from the Offering to complete one or more acquisitions. See "*Risk Factors*".

While the Company currently anticipates that it will use the net proceeds of the Offering as set forth above, the Company may re-allocate the net proceeds of the Offering from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. It is anticipated that the net proceeds from the Offering will be expended within 18 to 36 months following the completion of the Offering. There can be no assurance that the Company will be able to identify acquisition or expansion opportunities that meet its strategic objectives, or to the extent such opportunities are identified, that it will be able to negotiate terms that are acceptable to it. Until utilized, the net proceeds of the Offering will be held in short-term, investment grade, interest-bearing securities, in government securities or in bank accounts at the discretion of management. Management will have discretion concerning the use of the net proceeds of the Offering, as well as the timing of their expenditure. See "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*".

The Company confirms that there have been no changes to its proposed use of net proceeds from the January 2021 Bought Deal.

Certain COVID-19 related risks could delay or slow the implementation of the planned objectives resulting in additional costs for the Company to achieve its business objectives. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, and the Netherlands and other countries to contain and treat the disease. As these events are highly uncertain and, the Company cannot determine their potential impact on operations at this time. The COVID-19 pandemic may negatively impact the Company's business through disruption of supply and manufacturing, which would influence the amount and timing of planned expenditure. For example, prolonged disruptions in the supply of services relied on by the Company to conduct its cultivation, production and distribution activities in the Netherlands resulting from government regulation, including restrictions on travel, may adversely impact the Company's business. See "*Summary Description of the Business*" and "*Risk Factors*".

The Company currently has a negative operating cash flow, which may continue for the foreseeable future. During the fiscal year ended March 31, 2020, the Company had negative cash flow from operating activities. The Company anticipates it will continue to have negative cash flow from operating activities in future periods until commercial production is achieved at the Facility. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital, including certain proceeds of the Offering, to fund such negative cash flows. See "*Risk Factors*".

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

### Units

Each Unit will be comprised of one Unit Share (being a Common Share forming a part of each Unit) and one Warrant that will entitle the holder to purchase one Warrant Share (being a Common Share issuable upon valid exercise of a Warrant) at a price of \$0.70 prior to 4:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, subject to the Acceleration Clause. The Units will separate into Unit Shares and Warrants immediately upon issue.

### Common Shares

Each Common Share entitles its holder to notice of, and to one vote at, all meetings of shareholders. Each Common Share carries an entitlement to receive dividends if, as and when declared by the Board. In the event of the liquidation, dissolution or winding-up of the Company, the assets available for distribution to shareholders will be distributed proportionately among the holders of Common Shares.

The authorized share capital of the Company consists of an unlimited number of Common Shares of which 304,618,264 Common Shares are issued and outstanding as of the date hereof.

### Warrants

The Warrants will be issued under, and be governed by, the terms of a warrant indenture (the “**Warrant Indenture**”) to be entered into between the Company and TSX Trust Company (the “**Warrant Agent**”). The Company will appoint the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which Warrants may be surrendered for exercise or transfer. The following summary of certain provisions of the Warrant Indenture contains the material attributes and characteristics of the Warrants but does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture, which will be available on SEDAR.

Each Warrant will entitle the holder to purchase one Warrant Share at a price of \$0.70. The exercise price and the number of Warrant Shares issuable upon exercise are both subject to adjustment in certain circumstances as more fully described below. Warrants will be exercisable at any time prior to 4:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, after which time the Warrants will expire and become null and void, subject to the Acceleration Clause.

The Warrant Indenture is expected to provide for adjustment to the exercise price of the Warrants and/or to the number or kind of securities issuable upon the exercise of the Warrants upon the occurrence of certain events, including:

- (a) a subdivision of the Common Shares into a greater number of Common Shares or a consolidation of the Common Shares into a lesser number of Common Shares;
- (b) the issuance of Common Shares or securities exchangeable or convertible into Common Shares to all or substantially all the holders of Common Shares by way of a stock dividend or other distribution;
- (c) 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 Common 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/or
- (d) subject to certain exceptions, a distribution by the Company to all or substantially all the holders of the Common Shares, of securities of any class (whether of the Company or any other corporation) other than Common Shares, rights, options or warrants, evidences of indebtedness, or cash,

securities, or other property or assets.

The Warrant Indenture is also expected to 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:

- (a) a reclassification of the Common Shares;
- (b) a consolidation, amalgamation, plan of arrangement or merger of the Company with or into another entity (other than a consolidation, amalgamation, plan of arrangement or merger which does not result in any reclassification of the Common Shares or a change of the Common Shares into other shares); or
- (c) a transfer (other than to one of the Company's subsidiaries) of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity.

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

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

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

From time to time, the Company and the Warrant Agent, without the consent of or notice to 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 is expected to be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing 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 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants represented at the meeting and who voted on such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants.

The Warrants and the Warrant Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws and the Warrants will not be exercisable by or on behalf of, or for the account or benefit of, a person in the U.S. or 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 U.S. state securities laws is available and the Company has received an opinion of counsel of recognized standing or other evidence to such effect in form and substance reasonably satisfactory to the Company; provided, however, that a holder who is a "qualified institutional buyer" (a "**Qualified Institutional Buyer**") as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**") at the time of exercise of the Warrants who purchased Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel or such other evidence in connection with the exercise of Warrants that are a part of those Units.

The foregoing summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture, which will be filed by the Company on SEDAR following the closing of the Offering.

### PRIOR SALES

During the 12 month period before the date of this short form prospectus, the Company has issued Common Shares and securities convertible into Common Shares as follows:

| Date Issued                      | Number and Type of Security | Issue/Exercise Price |
|----------------------------------|-----------------------------|----------------------|
| February 12, 2021 <sup>(1)</sup> | 1,625,073 Common Shares     | \$0.26               |
| February 4, 2021 <sup>(2)</sup>  | 166,666 Common Shares       | \$0.06               |
| February 3, 2021 <sup>(2)</sup>  | 500,000 Common Shares       | \$0.06               |
| February 2, 2021 <sup>(3)</sup>  | 120,000 Common Shares       | \$0.26               |
| February 2, 2021 <sup>(4)</sup>  | 150,000 Common Shares       | \$0.26               |
| January 28, 2021 <sup>(2)</sup>  | 70,000 Common Shares        | \$0.06               |
| January 28, 2021 <sup>(5)</sup>  | 38,334,100 Units            | \$0.255              |
| January 28, 2021 <sup>(5)</sup>  | 2,661,762 broker warrants   | \$0.255              |
| January 27, 2021 <sup>(4)</sup>  | 750,000 Common Shares       | \$0.26               |
| January 27, 2021 <sup>(2)</sup>  | 100,000 Common Shares       | \$0.06               |
| January 27, 2021 <sup>(6)</sup>  | 211,079 Common Shares       | \$0.06               |
| January 25, 2021 <sup>(4)</sup>  | 1,121,212 Common Shares     | \$0.26               |
| January 22, 2021 <sup>(4)</sup>  | 250,000 Common Shares       | \$0.26               |
| January 13, 2021 <sup>(7)</sup>  | 1,625,073 warrants          | \$0.26               |
| January 13, 2021 <sup>(7)</sup>  | 1,625,073 Common Shares     | \$0.165              |
| December 30, 2020                | 250,000 stock options       | \$0.315              |
| December 8, 2020                 | 750,000 stock options       | \$0.15               |
| December 8, 2020                 | 750,000 stock options       | \$0.20               |
| December 3, 2020 <sup>(8)</sup>  | 1,052,631 Common Shares     | \$0.095              |
| December 1, 2020                 | 200,000 stock options       | \$0.10               |
| July 16, 2020 <sup>(9)</sup>     | 150,000 stock options       | \$0.095              |
| July 16, 2020 <sup>(10)</sup>    | 2,904,848 Common Shares     | \$0.165              |
| July 16, 2020 <sup>(10)</sup>    | 2,904,848 warrants          | \$0.26               |
| July 16, 2020 <sup>(11)</sup>    | 4,242,424 Common Shares     | \$0.165              |
| July 16, 2020 <sup>(11)</sup>    | 4,242,424 warrants          | \$0.26               |
| June 24, 2020                    | 500,000 stock options       | \$0.105              |
| June 16, 2020 <sup>(12)</sup>    | 5,033,515 Common Shares     | \$0.165              |
| June 16, 2020 <sup>(12)</sup>    | 5,033,515 warrants          | \$0.26               |
| June 16, 2020 <sup>(13)</sup>    | 352,346 warrants            | \$0.165              |
| June 10 2020                     | 500,000 stock options       | \$0.15               |
| June 8, 2020 <sup>(14)</sup>     | 18,181,818 Common Shares    | \$0.165              |
| June 8, 2020 <sup>(14)</sup>     | 18,181,818 warrants         | \$0.26               |
| June 8, 2020 <sup>(15)</sup>     | 1,272,727 warrants          | \$0.165              |
| June 1, 2020                     | 3,000,000 Common Shares     | \$0.06               |
| May 27, 2020                     | 9,450,000 stock options     | \$0.06               |
| May 27, 2020 <sup>(16)</sup>     | 8,650,000 warrants          | \$0.06               |
| May 25, 2020 <sup>(17)</sup>     | 4,856,935 warrants          | \$0.06               |
| May 22, 2020                     | 1,833,333 Common Shares     | \$0.06               |
| May 22, 2020 <sup>(18)</sup>     | 66,022,530 Common Shares    | \$0.06               |
| May 22, 2020 <sup>(19)</sup>     | 125,148,606 Common Shares   | \$0.06               |

Notes:

- (1) Issued on the exercise of warrants exercisable at a price of \$0.26 per Common Share of the Company with expiry dates of June 8, 2024 and June 18, 2024.
- (2) Issued on the exercise of warrants exercisable at an exercise price of \$0.06 per Common Share at any time until May 27, 2023.
- (3) Issued on the exercise of warrants issued on July 16, 2020 with an exercise price of \$0.26 per Common Share of the Company at any time until July 16, 2024.
- (4) Issued on the exercise of warrants issued on June 16, 2020 with an exercise price of \$0.26 per Common Share of the Company at any time until June 16, 2024.
- (5) January 2021 Units were issued in connection with the January 2021 Bought Deal. As partial consideration for its services in connection with the January 2021 Bought Deal, the Company issued to the Underwriter a total of 2,661,762 January 2021 Compensation Options.
- (6) Issued on the exercise of compensation warrants, with each compensation warrant entitling the holder to acquire Common Shares at \$0.06 per Common Share for two years.
- (7) Issued on the exercise of broker warrants exercisable at a price of \$0.165 for units of the Company with each unit comprised of one Common Share and one warrant.
- (8) On December 3, 2020, the Company entered into a consultancy agreement whereby the Company issued 1,052,631 Common Shares at a deemed price of \$0.095 per Common Share.
- (9) On July 16, 2020, the Company entered into an agreement where it agreed to issue stock options to acquire 150,000 common shares of the Company to a consultant. Each option entitles the holder to acquire one common share of the Company at a price of \$0.095 per common share for a period of three years.
- (10) On July 16, 2020, the Company closed a non-brokered private placement of units pursuant to which, the Company issued a total of 2,904,848 units at a price of \$0.165 per unit, with each unit consisting of one Common Share and one warrant. Each warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of \$0.26 at any time until July 16, 2024, subject to an accelerated expiry option. This disclosure supersedes the section entitled "*Red Light Holland Brokered Private Placement*" in the Annual Information Form.
- (11) On July 16, 2020, the Company issued 4,242,424 units at a deemed price of \$0.165 per unit to PharmaDrug Inc. pursuant to a securities exchange agreement. Each unit consisted of one Common Share and one warrant. Each warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of \$0.26 at any time for a period of 48 months, subject to an accelerated expiry option. This disclosure supersedes the section entitled "*Red Light Holland Brokered Private Placement*" in the Annual Information Form.
- (12) On June 16, 2020, the Company closed the second tranche of the brokered private placement of units. Pursuant to the second tranche, the Company issued a total of 5,033,515 units at a price of \$0.165 per unit, with each unit consisting of one Common Share and one warrant. Each warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of \$0.26 at any time until June 16, 2024, subject to an accelerated expiry option. This disclosure supersedes the section entitled "*Red Light Holland Brokered Private Placement*" in the Annual Information Form.
- (13) In connection with the second tranche, the Company issued 352,346 broker warrants, with each broker warrant entitling the holder to purchase one unit at a price of \$0.165 per Unit for a period of 48 months following the date of issuance.
- (14) On June 8, 2020, the Company closed the first tranche of a brokered private placement of units. Pursuant to the first tranche, the Company issued a total of 18,181,818 units at a price of \$0.165 per unit, with each unit consisting of one Common Share and one warrant. Each warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of \$0.26 at any time until June 8, 2024, subject to an accelerated expiry option. This disclosure supersedes the section entitled "*Red Light Holland Brokered Private Placement*" in the Annual Information Form.
- (15) In connection with the first tranche, the Company issued 1,272,727 broker warrants, with each broker warrant entitling the holder to purchase one unit at a price of \$0.165 per unit, for a period of 48 months following the issuance date.
- (16) On May 27, 2020, 8,650,000 warrants were issued to certain consultants of the Company. The warrants are exercisable at an exercise price of \$0.06 per Common Share and expire three years from the date of issuance.
- (17) On May 25, 2020, the Company issued 4,856,935 compensation warrants in connection with its non-brokered private placement of subscription receipts. Each compensation warrant entitles the holder to acquire Common Shares at \$0.06 for two years.
- (18) Represents the Common Shares issued pursuant to a three-cornered amalgamation, pursuant to which the Company's wholly owned, non-operating subsidiary, 2747439 Ontario Inc., amalgamated with Red Light Holland Financing Inc., to become a wholly owned, non-operating subsidiary of the Company.

- (19) Represents the Common Shares issued pursuant to a three-cornered amalgamation, pursuant to which the Company's wholly owned, non-operating subsidiary, 2747451 Ontario Inc., amalgamated with Red Light Holland Debt Inc. to become a wholly owned, non-operating subsidiary of the Company.

### TRADING PRICE AND VOLUME

The following table<sup>(1)</sup> sets forth the high and low closing prices and the aggregate volume of trading of our Common Shares on the CSE since the date trading commenced on May 28, 2020:

| Month                          | High    | Low     | Average Daily Volume |
|--------------------------------|---------|---------|----------------------|
| February 1 – 16, 2021          | \$0.700 | \$0.460 | 5,538,598            |
| January 2021                   | \$0.660 | \$0.270 | 8,437,603            |
| December 2020                  | \$0.550 | \$0.090 | 12,869,536           |
| November 2020                  | \$0.125 | \$0.065 | 1,954,969            |
| October 2020                   | \$0.100 | \$0.070 | 1,263,552            |
| September 2020                 | \$0.115 | \$0.065 | 1,699,662            |
| August 2020                    | \$0.090 | \$0.065 | 1,385,545            |
| July 2020                      | \$0.105 | \$0.065 | 1,988,470            |
| June 2020                      | \$0.210 | \$0.080 | 3,995,730            |
| May 28-31, 2020 <sup>(2)</sup> | \$0.250 | \$0.160 | 13,506,714           |

**Notes:**

- (1) Source: Bloomberg.  
(2) The Company began trading on the CSE on May 28, 2020.

On February 2, 2021, the last trading day prior to the date of the announcement of the Offering, the closing price of the Common Shares on the CSE was \$0.485 per Common Share, on the FSE was €0.322 and on the OTC was US\$0.37. On February 16, 2021, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the CSE was \$0.59 per Common Share, on the FSE was €0.408 and on the OTC was US\$0.48.

### PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell, and the Underwriter has agreed to purchase on the Closing Date, an aggregate of 23,000,000 Units at the Offering Price for aggregate gross proceeds of \$10,120,000 payable in cash to the Company against delivery of the Units. The Offering Price was determined by arm's length negotiation among the Company and the Underwriter with reference to the prevailing market price of the Common Shares on the CSE.

Each Unit will consist of one Unit Share and one Warrant. Each Warrant will entitle the holder thereof to acquire, subject to adjustment in accordance with the Warrant Indenture, one Warrant Share at an exercise price of \$0.70 per Warrant Share at any time prior to 4:00 p.m. (Toronto time) on the date that is 36 months from the Closing Date, subject to the Acceleration Clause. The Warrants will be created and issued pursuant to the terms of the Warrant Indenture to be dated as of the Closing Date between the Company and the Warrant Agent. The Warrant Indenture will contain provisions designed to protect holders of the Warrants against dilution upon the happening of certain events. No fractional Warrants will be issued.

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriter the Over-Allotment Option, exercisable in whole or in part, at any time and from time to time, in the sole discretion of the Underwriter, for a period of 30 days from and including the Closing Date, to purchase up to an additional amount of Units equal to up to 15% of the Units sold pursuant to the Offering, being 3,450,000 Additional Units, at the Offering Price, to cover the Underwriter's over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable by the Underwriter in respect of: (1) Additional Units at the Offering Price; or (2) Additional Shares at a price of \$0.3994 per Additional Share;

or (3) Additional Warrants at a price of \$0.0406 per Additional Warrant; or (4) any combination of the Additional Securities, so long as the aggregate number of Additional Shares and Additional Warrants which may be issued under the Over-Allotment Option does not exceed 3,450,000 Additional Shares and 3,450,000 Additional Warrants. The grant of the Over-Allotment Option and the Additional Securities issuable upon exercise of the Over-Allotment Option are hereby qualified for distribution under this short form prospectus. A purchaser who acquires securities forming part of the Underwriter's over-allocation position acquires such securities under this short form prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds, Underwriter's Fee and net proceeds to the Company (before payment of the expenses of the Offering) will be approximately \$11,638,000, \$814,660, and \$10,823,340, respectively.

Subject to applicable law, the Underwriter may, with the consent of the Company, offer to sell the Units outside of Canada, in each case in accordance with applicable laws provided that no prospectus, registration statement or similar document is required to be filed in any such jurisdiction.

The Units, the Unit Shares and the Warrants comprising the Units, and the Warrant Shares issuable upon exercise of the Warrants, have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws, and the Units, the Unit Shares and the Warrants may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States or U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Underwriter has agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and U.S. state securities laws, it will not offer or sell any of the Units, the Unit Shares or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons. The Underwriting Agreement permits the Underwriter to offer the Units, the Unit Shares and the Warrants outside the United States to non-U.S. Persons in compliance with Regulation S under the U.S. Securities Act. The Underwriting Agreement also permits the Underwriter, through its U.S. registered broker-dealer affiliate, to offer and resell the Units, the Unit Shares and the Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons where such persons are Qualified Institutional Buyers in compliance with Rule 144A and applicable U.S. state securities laws.

This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units, the Unit Shares or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons.

The Warrants will not be exercisable by, or on behalf of, a person in the United States or 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 the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company; provided, however, that a holder who is a Qualified Institutional Buyer and purchased Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel in connection with the exercise of Warrants that are a part of those Units.

The Unit Shares, the Warrants and the Warrant Shares issuable upon exercise of the Warrants issued to, or for the account or benefit of, persons in the United States or U.S. Persons will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Any certificates representing any securities that are offered, sold or issued to, or for the account or benefit of, persons in the United States or U.S. Persons will be subject to restrictions to the effect that such securities have not been registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

Terms used and not otherwise defined in the four preceding paragraphs shall have the meanings ascribed

to them by Regulation S under the U.S. Securities Act.

The Company has given notice to the CSE to list the Securities (including those underlying the Broker Warrants). Listing will be subject to the Company fulfilling all of the listing requirements of the CSE. There is currently no market through which the Warrants may be sold. See “Risk Factors”.

The obligations of the Underwriter under the Underwriting Agreement are conditional and may be terminated at their discretion upon the occurrence of certain stated events, including on the basis of “disaster out”, “material adverse change out”, and “breach out” provisions contained in the Underwriting Agreement. The Underwriter is, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement.

In consideration of the services rendered by the Underwriter to the Company in connection with the Offering and pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriter the Underwriter’s Fee which will be equal to 7% of the gross proceeds from the issue and sale of the Units and the Additional Units, if any, (subject to the President’s List) and Broker Warrants entitling the Underwriter to acquire a number of Units equal to 7% of the number of Units sold under the Offering, including any Additional Units sold pursuant to the exercise of the Over-Allotment Option (subject to the President’s List). Each Broker Warrant shall entitle the Underwriter to purchase one Unit at the Offering Price at any time on or before the date which is 36 months after the Closing Date. The Company has also agreed to reimburse the Underwriter for their out-of-pocket fees and expenses, including the fees and expenses of their legal counsel, whether or not the Offering is completed. All amounts payable to the Underwriter will be paid from the proceeds of the Offering.

The Company has agreed not to, directly or indirectly, issue or sell or authorize or agree to issue or sell (or announce any intention to do any of the foregoing) any additional debt, any Common Shares or securities or other financial instruments convertible or exchangeable for or exercisable into Common Shares, except in conjunction with: (1) the Offering, including the Over-Allotment Option; (2) the exercise of outstanding stock options pursuant to the stock option plan of the Company or any other existing share compensation arrangements; (3) the exercise of outstanding warrants, convertible securities or other existing contractual rights; or (4) any bona fide arm’s length acquisition by the Company), in each case for a period starting on the Closing Date and ending on the date that is 90 days from the Closing Date without the prior written consent of the Underwriter, such consent not to be unreasonably withheld or delayed.

Pursuant to the Underwriting Agreement, the Company has also agreed that it will use best efforts to cause each of its directors and officers to enter into lock-up agreements in a form satisfactory to the Company and the Underwriter, each acting reasonably, to be executed concurrently with the Closing of the Offering, pursuant to which each such person agrees, among other things, to not, for a period of 90 days from the Closing Date, without the prior written consent of the Underwriter, such consent not to be unreasonably withheld or delayed, directly or indirectly, offer, sell, contract to offer or sell, transfer, assign, grant or sell any option or warrant to purchase, lend, hypothecate, secure, pledge or otherwise transfer or dispose of any securities of the Company or any financial instruments convertible into, exercisable or exchangeable for, or that represent the right to receive, securities of the Company, whether through the facilities of a stock exchange, by private placement or otherwise, or make any short sale of, engage in any hedging transaction with respect to, or enter into any swap, forward or other transaction or arrangement that transfers all or a portion of the economic consequences associated with the ownership of such securities (regardless of whether any such transaction or arrangement is to be settled by the delivery of securities of the Company, securities of another person, cash or otherwise), subject to certain exceptions to be negotiated by the Company and the Underwriter.

Pursuant to rules and policy statements of certain Canadian securities regulatory authorities, the Underwriter may not, throughout the period of distribution under the Offering, bid for or purchase Common Shares for their own accounts or for accounts over which they exercise control or direction. The foregoing restriction is subject to certain exceptions, including: (i) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the CSE, in accordance with the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market

stabilization and passive market making activities; and (ii) a bid or purchase made for or on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, where the solicitation did not occur during the period of distribution.

The Underwriter may engage in market stabilization or market balancing activities on the CSE where the bid for or purchase of the Common Shares is for the purpose of maintaining a fair and orderly market in the Common Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time. In particular, the Underwriter may over-allocate or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or slowing a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include over-allocating or making short sales of the Common Shares, which involve the sale by the Underwriter of a greater number of Common Shares than it is required to purchase in the Offering. In making this determination, the Underwriter will consider, among other things, the price of Common Shares available for purchase in the open market compared to the price at which they may purchase Common Shares through the Over-Allotment Option. The Underwriter must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriter is concerned that there may be downward pressure on the price of the Common Shares in the open market that could adversely affect investors who purchase Common Shares in the Offering. Any naked short position would form part of the Underwriter's over-allocation position. A purchaser who acquires Common Shares forming part of the Underwriter's over-allocation position will, in each case, acquire such Common Shares under this short form prospectus, regardless of the fact that the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases.

As a result of these activities, the price of the Common Shares offered hereby may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriter at any time. The Underwriter may carry out these transactions on the CSE, in the over-the-counter market or otherwise.

The Company has agreed, pursuant to the Underwriting Agreement, to indemnify the Underwriter and its affiliates and each of its directors, officers, employees, affiliates and agents and each person, if any, who controls any Underwriter, and certain other related parties, harmless from and against certain losses, claims, suits, liabilities, costs, damages, or expenses, including liabilities under Canadian securities legislation in certain circumstances or to contribute to payments the Underwriter may have to make because of such liabilities.

**The Underwriter proposes to offer the Units initially at the Offering Price specified above. After a reasonable effort has been made to sell all the Units at the Offering Price, the Underwriter may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the Company.**

### **Book-Based System**

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the Underwriter reserve the right to close the subscription books at any time without prior notice. Closing is expected to take place on February 24, 2021 or such later date as may be agreed upon by the Company and the Underwriter. The Offering will be conducted under the book-based system. A subscriber who purchases Units will receive a customer confirmation from the registered dealer from or through whom 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 evidencing the Units are expected to be issued, except in certain limited circumstances, and registration will be made in the name of the nominee of CDS.

### ELIGIBILITY FOR INVESTMENT

In the opinion of Garfinkle Biderman LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Underwriter, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder in force on the date of this short form prospectus, and subject to the provisions of any particular plan, the Unit Shares, Warrants and Warrant Shares will, on the Closing Date, be a qualified investment for a trust governed by a registered retirement savings plan (“**RRSP**”), registered education savings plan (“**RESP**”), registered retirement income fund (“**RRIF**”), deferred profit sharing plan, registered disability savings plan (“**RDSP**”) or tax-free savings account (a “**TFSA**”) (each, a “**Registered Plan**”), provided that at such time:

- (a) in the case of the Unit Shares and Warrant Shares, such shares are listed on a “designated stock exchange” within the meaning of the Tax Act (which on the date hereof includes the CSE) or the Company otherwise qualifies as a “public corporation”, as defined in the Tax Act; and
- (b) in the case of the Warrants,
  - (i) the Warrants are listed on a “designated stock exchange” as defined in the Tax Act; or
  - (ii) the Warrant Shares are qualified investments as described in (a) above and the Company is not an annuitant, a beneficiary, an employer or a subscriber under or a holder of the particular Registered Plan and deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Registered Plan.

Notwithstanding that the Unit Shares, Warrants and Warrant Shares may be a qualified investment for a trust governed by an RRSP, RRIF, RESP, RDSP or a TFSA, the annuitant under an RRSP or RRIF, the subscriber under a RESP or the holder of a TFSA or RDSP, as the case may be, will be subject to a penalty tax if the securities are a “prohibited investment” within the meaning of the Tax Act for the RRSP, RRIF, RESP, RDSP or TFSA. The Unit Shares, Warrants and Warrant Shares will generally not be a “prohibited investment” for a trust governed by an RRSP, RRIF, RESP, RDSP or TFSA provided the holder of the TFSA or RDSP, the subscriber under a RESP or annuitant of the RRSP or RRIF, as the case may be: (i) deals at arm’s length with the Company for the purposes of the Tax Act; and (ii) does not have a “significant interest” (as defined in subsection 207.01(4) of the Tax Act) in the Company. In addition, the Unit Shares and Warrant Shares will generally not be a prohibited investment if such securities are “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for trusts governed by an RRSP, RRIF, RESP, RDSP or TFSA. **Prospective purchasers who intend to hold Unit Shares, Warrants or Warrant Shares in a Registered Plan should consult their own tax advisors regarding their particular circumstances.**

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date of this short form prospectus, a summary of the principal Canadian federal income tax considerations generally applicable to an investor who acquires Units pursuant to the 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 Unit Shares and Warrants acquired pursuant to this Offering and who, for the purposes of the Tax Act, and at all relevant times: (i) deals at arm’s length with the Company and the Underwriter, (ii) is not affiliated with the Company or the Underwriter; and (iii) acquires and holds the Unit Shares, Warrants and any Warrant Shares acquired on the exercise of the 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 or concern in the nature of trade.

This 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 the Tax Act; (iii) that has made a “functional currency” reporting election under section 261 of the Tax Act to report its “Canadian tax results” as defined in the Tax Act in a currency other than Canadian currency; (iv) an interest in which is, or for whom a Common Share or Warrant would be, a “tax shelter investment” for the purposes of the Tax Act; (v) that has entered into a “derivative forward agreement” or a “synthetic disposition arrangement”, as defined in the Tax Act, in respect of Common Shares or Warrants; or (vi) that receives dividends on the Common Shares under or as part of a “dividend rental arrangement”, as defined in the Tax Act. Such Holders should consult their own tax advisor.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident corporation (or pursuant to the Proposed Amendments, a non-resident person or a group of persons comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts that do not deal with each other at arm's length) for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Common Shares.

In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units pursuant to the Offering or to exercise Warrants to acquire Warrant Shares.

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 (“**Proposed Amendments**”) 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; 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.

**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 Units 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 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 \$0.44 subscription price for each Unit, it intends to allocate \$0.3994 to each Unit Share and \$0.0406 to each Warrant and believes that such allocation is reasonable. The Company’s allocation, however, is not binding on the CRA or on a Holder. Holders should consult their own tax advisors in this regard.

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 of a Warrant upon the exercise of such Warrant. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the adjusted cost base of the Warrant to such Holder, plus the amount paid on the exercise of the Warrant. For the purpose of computing the adjusted cost base to a Holder of each Warrant Share acquired on the exercise of a Warrant, the cost of such Warrant Share must be averaged 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 (a "**Resident Holder**"). 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

Dividends received or deemed to be received by a Resident Holder on its Common Shares will be included in computing the Resident Holder's income for the taxation year in which they are received. 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 that apply to taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). 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 a dividend or deemed dividend received by a Resident Holder that is a corporation may be treated as a capital gain or proceeds of disposition. Resident Holders should contact their own tax advisors in this regard.

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 on the Common Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income for the year. A "subject corporation" is generally a corporation resident in Canada (other than a private corporation) controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts).

### Dispositions of Common Shares and Warrants

A Resident Holder who disposes of or is deemed to have disposed of a Common Share (other than on a disposition to the Company that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market) 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, as applicable, 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 expired Warrant.

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

### 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, which includes dividends and taxable capital gains.

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 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 connection with carrying on a business in Canada (a “**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 that is an “authorized foreign bank” (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors.

### Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Non-Resident Holder will generally realize a capital loss equal to the Non-Resident Holder’s adjusted cost base of such Warrant. The tax treatment of capital losses is discussed in greater detail below under the heading “*Holders Not Resident in Canada — Dispositions of Common Shares and Warrants*”. Non-Resident Holders should consult their own tax advisors with respect to the expiry of Warrants.

### 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 be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled to under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of

the United States, is fully entitled to the benefits under the *Canada-United States Tax Convention (1980)*, as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15%. Non-Resident Holders should consult their own tax advisors.

#### 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, nor will capital losses arising therefrom be recognized under the Tax Act, 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 Common Shares or Warrants (as applicable), 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 the Common 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. Notwithstanding the foregoing, a Common Share or Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act. Non-Resident Holders should consult their own tax advisors as to whether their Common Shares or Warrants constitute "taxable Canadian property" in their own particular circumstances.

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 "*Taxable Capital Gains and Losses*" will generally be applicable to such disposition. Such Non-Resident Holders should consult their own tax advisors.

## **INSIDER TRADING POLICY AND CODE OF ETHICS AND BUSINESS CONDUCT**

### **Insider Trading Policy**

The Company has adopted an insider trading policy to set forth basic guidelines for trading in the Company's securities (including, without limitation, its Common Shares) to avoid any situation that might have the potential to damage the Company's reputation or which could constitute a violation of federal or provincial securities law by the Company, its officers, directors and employees ("**Insiders**"). Under this policy, Insiders are prohibited from trading in Common Shares and other securities on the basis of such material non-public information until after the information has been disclosed to the public and investors have been given a reasonable amount of time to analyze the information, or during a blackout period. The policy also outlines additional pre-clearance and other trading restrictions and provisions for maintaining the confidentiality of information in certain circumstances.

The obligation not to trade on inside information applies not only to the Insiders, but also to persons who obtain such information from Insiders and use it to their advantage. Thus, liability may be imposed upon the Company, its Insiders and also outsiders who are the source of leaks of material information not yet disclosed to the public and the leaks coincide with purchases or sales of the Company's securities by such insiders, outsiders or by "tippees".

In order to provide a degree of certainty as to when insider trading is permissible, the policy imposes a mandatory blackout period beginning two weeks before the end of each fiscal quarter and lasting until two trading days after the financial results have been disclosed by the Company. Trading black-out periods may also be prescribed from time to time as a result of special circumstances relating to the Company. All directors and officers and employees with knowledge of such special circumstances will be covered by the black-out. The Chief Executive Officer will notify affected persons of any blackout period.

The policy also outlines the Company's reporting obligations for changes in Common Shares owned by Insiders as well as the penalties for violating such policy and applicable laws.

### **Code of Ethics and Business Conduct**

The Company has adopted a Code of Ethics & Business Conduct (the "**Code**"). The Code sets forth standards designed to reasonably: deter wrongdoing, promote honest and ethical conduct, promote prompt internal reporting of violations of the Code and promote accountability. All personnel are expected to show a duty of loyalty and faithfulness to the Company and to take actions to prevent damage to its interests or reputation. All personnel, in discharging their duties, must comply with applicable laws and regulations, the rules of the stock exchange(s) on which the Common Shares are listed as well as the Company's internal policies.

The Code sets the expectation that personnel (a) learn about laws, rules and regulations that affect what they do at the Company, (b) attend periodic training and seek to keep up on any legal developments, and (c) raise any questions concerning the applicability, existence or interpretation of any law or regulation or conduct with a designated Company officer. The Code prohibits personnel from making or participating in making any payments designed to cause or improperly influence the decisions of an individual, a company or a governmental official to act in a way that gives the Company or its personnel an advantage or soliciting, encouraging or actually receiving any bribe or other payment, contribution, gifts or favor that could influence that individual or another's decision.

The Code encourages personnel to report any actual or suspected fraud to the CFO or the CEO. In order to avoid participation by personnel of any potential financial crime, personnel are prohibited from accepting or marking cash payments of any kind, accepting payments from entities other than the contractual customer, in each case, without obtaining approval from the CEO. The Code mandates a safe work environment and a no tolerance policy towards harassment and violence in the workplace.

The Code outlines the requirements of personnel as it relates to disclosure of Company information, confidentiality and maintaining the integrity of the Company's books and records and intellectual property. The Code also establishes a whistleblower program which promotes integrity and deters unethical or illegal behaviour and requires that all personnel report unethical or illegal behaviour, including questionable accounting, internal controls or auditing matters.

### **RISK FACTORS**

An investment in the Units involves a number of risks, including risks inherent in the industry in which the Company operates. In addition to the information set out below and the other information contained in this short form prospectus, including in the section entitled "*Cautionary Note Regarding Forward-Looking Information*", prospective purchasers should carefully consider the risk factors related to our business and operations set out in our Annual Information Form and in the other documents incorporated by reference in this short form prospectus. Any one or more of such risk factors could have a material adverse effect on our business, results of operations and financial condition, causing prospective investors to lose all or part of their investment. The risks and uncertainties described below are not the only ones faced by the Company. Additional risks and uncertainties that the Company is not aware of or focused on, or currently deems to be immaterial, may also impair the Company's business operations and cause the price of the Common Shares to decline. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below (or incorporated by reference herein) or other unforeseen risks.

## **Risks Related to the Offering**

### **Loss of Entire Investment**

An investment in the Units is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Company.

### **Dilution**

The Company may sell or issue additional Common Shares or other securities in the future to finance future activities, including its growth strategy. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Issuances of substantial numbers of Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Common Shares. Also, additional Common Shares may be issued by the Company upon the exercise of stock options and upon the exercise or conversion of other securities convertible into Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

### **Forward-looking Statements May Prove to be Inaccurate**

Investors should not place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties can be found in this short form prospectus under the heading "*Cautionary Note Regarding Forward-Looking Information*".

### **The Common Shares and Warrants are Subject to Market Price Volatility**

The market price at which the Common Shares and Warrants will trade cannot be predicted. The market price of the Common Shares and Warrants may be adversely affected by a variety of factors relating to our business, including fluctuations in operating and financial results. In addition, the stock markets in general have recently experienced extreme volatility. This volatility may adversely affect the market price of the Common Shares and Warrants. The liquidity of the Common Shares and Warrants may also be impacted by general market volatility.

### **No Assurance of an Active or Liquid Market**

No assurance can be given that an active or liquid trading market for the Common Shares will be sustained. If an active or liquid market for the Common Shares fails to be sustained, the prices at which such securities trade may be adversely affected. Whether or not the Common Shares will trade at lower prices depends on many factors, including the liquidity of the Common Shares, prevailing interest rates, the markets for similar securities, general economic conditions and the Company's financial condition, historic financial performance and future prospects.

### **Investment Eligibility**

There can be no assurance that the Units will continue to be qualified investments under relevant Canadian tax laws for trusts governed by RRSPs, RRIFs, deferred profit sharing plans, RESPs, RDSPs and TFSAs. The Tax Act imposes penalties for the acquisition or holding of nonqualified or prohibited investments. See

*“Eligibility for Investment”.*

*No Market for the Warrants Currently Exists*

The Company intends to apply to list the Warrants on the CSE, however approval of the CSE for such listing has not been received and there is currently no public market for the Warrants. There can be no assurance that a secondary market for the Warrants will develop or be sustained after the closing of the Offering. Even if a market develops for the Warrants, there can be no assurance that it will be liquid and that the price of the Warrants will be the same as the price allocated for the Warrants partially comprising the Units.

If an active market for the Warrants does not develop, the liquidity of an investor's investment in the Warrants may be limited and the price may decline below the portion of the offering price allocated to the Warrants.

*Warrants are Speculative in Nature and May Not Have Any Value*

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the Warrants may exercise their right to acquire Common Shares and pay an exercise price of \$0.70 per Common Share, subject to certain adjustments, prior to the date that is 36 months following the Closing Date, subject to the Acceleration Clause, after which date any unexercised Warrants will expire and have no further value. Moreover, following completion of the Offering, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise the Warrants.

*Unpredictable and Volatile Market Price for Common Shares*

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Red Light Holland's control, including the following:

- actual or anticipated fluctuations in Red Light Holland's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- additions or departures of Red Light Holland's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to Red Light Holland or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Red Light Holland's industry or target markets.

In addition, financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of Common Shares may decline even if Red Light Holland'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 might 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 affected and the trading price of the Common Shares might be materially adversely affected.

#### Discretion Over the Use of Proceeds

The Company currently intends to use the net proceeds received from the Offering (including on any exercise of the Over-Allotment Option) as described under "Use of Proceeds". However, the Company has broad discretion over the actual use of the net proceeds and may elect to allocate net proceeds differently from that described under "Use of Proceeds" if determined to be in the Company's best interests to do so. Shareholders may not agree with the manner in which the Company chooses to allocate and spend the net proceeds. The failure by the Company to use the net proceeds effectively could have a material adverse effect on the Company's business.

### **Risks Related to the Company's Financial Position and Need for Additional Capital**

#### Negative Operating Cash Flow

The Company is an early stage company and has not generated cash flow from operations. The Company is devoting significant resources to the development and acquisition of its properties, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital, including certain proceeds of the Offering, to fund such negative cash flows. The Company will be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. The Company currently has negative cash flow from operating activities.

### **Risk Related to the Company's Business and Industry**

#### Impact of the COVID-19 Pandemic

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility, and a general reduction in consumer activity. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As of the date of this short form prospectus, the duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its Industry Partners. To date, a number of businesses have suspended or scaled back their operations and

development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. In the event that the operations or development of the Company or one or more of the Company's Industry Partners is suspended or scaled back, or if the Company's supply chains are disrupted, such events may have a material adverse effect on the Company. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy, and financial and commodity markets may also have a material adverse effect on the Company.

In the Netherlands in particular, effective December 15, 2020, the Government of the Netherlands imposed a lockdown to address the ongoing COVID-19 pandemic, ordering the closure of all non-essential businesses within the Netherlands. As a result, as at the date of this short form prospectus, Smart Shops within the Netherlands remain temporarily closed as a result of the government-imposed lockdown, with the lockdown expected to remain in place until March 2, 2021. In the event that the lockdown remains in place for a longer period, or the operations or development of the Company or one or more of the Company's Industry Partners is suspended or scaled back, or the Company's supply chains are disrupted (in the latter cases, whether as a result of the lockdown or as a result of other occurrences relating to COVID-19), such events may have a material adverse effect on the Company.

In addition to the above-noted risks, the Company is subject to the additional risk that the COVID-19 pandemic, or public perception of the COVID-19 pandemic, could cause potential consumers of the Company's product offerings to avoid public places, including Smart Shops and other retail properties, which could cause temporary or long-term disruptions in market demand for truffles, and/or the supply and delivery of truffles. Furthermore, the COVID-19 pandemic (or similar outbreaks or other public health crises) could lead to employees of the Company's Industry Partners to avoid their places of employment, which could adversely affect the ability of the Company's Industry Partners to adequately staff and manage their respective businesses, and in turn have a material adverse effect on the Company. Finally, there is a risk that one or more orders by governmental authorities in the Netherlands could lead to the complete or partial closure of one or more Smart Shops and/or the facilities or operations of the Company and its Industry Partners for an indefinite period of time.

#### *Introduction of, or Changes in, Laws, Regulations and Guidelines*

Although the cultivation, production and distribution of fresh, unprocessed truffles within the Netherlands is not, as of the date of this short form prospectus subject to regulation as, for example, the cannabis industries in Canada and the United States, the Company's operations in the Netherlands remain subject to compliance with the Opium Act, as well as other laws, regulations, and guidelines in effect from time to time enacted by applicable governmental authorities. Although the Company is, to its knowledge, in compliance with all applicable laws (and intends to continue to comply), there can be no assurance that new laws, regulations, and guidelines will not be enacted, or that existing or future laws and regulations will not be changed. Any introduction of new (or changes to existing) laws, regulations, and guidelines, or other unanticipated events could require extensive changes to the Company's operations, increase compliance costs, and give rise to material liabilities, which could have a material adverse effect on the Company.

#### *No Assurance of Commercial Success or Profitability*

The successful commercialization of the Company's brand of truffles and its future products in the Netherlands will depend on many factors, including, (i) the Company's ability to establish and maintain new and existing working partnerships with Industry Partners in order to source, distribute, and market its brand of truffles and other product offerings within the Netherlands, (ii) the Company's ability to supply a sufficient amount of its brand of truffles to meet market demand, and (iii) the number of competitors from time to time competing with the Company within the Netherlands. As the Company continues to grow and expand its operations within the Netherlands, there is a risk that the Netherlands truffles industry may become increasingly competitive in all its phases, and in particular as a result of the possibility that new entrants (including from jurisdictions outside of the Netherlands) could attempt to mirror the Company's business model and establish operations in the Netherlands. There can be no assurance that the Company or its Industry Partners will be successful in their respective efforts to develop and implement, or assist the Company in developing and implementing, a commercialization strategy for the Company's brand of truffles

and future products. Further, there can be no assurance that consumer demand for the Company's truffles and other product offerings will be as anticipated, or that the Company will become profitable.

#### Limited Operating History in Truffles Industry

The Company began operations in the Netherlands in fiscal Q2 2020, and has a limited operating history within the truffles industry. As such, the Company will be subject to all of the business risks and uncertainties associated with any early staged enterprise, including the risks that it will be unable to (i) successfully cultivate, produce, and distribute truffles, (ii) establish a market for its products, (iii) achieve its growth objectives and targets, and/or (iv) successfully assess and meet consumer demand and become profitable. The Company's future growth will depend substantially on its ability to address these and the other risks described in this section of the short form prospectus and any failure to successfully address such risks could have a material adverse effect on the Company.

#### No Profits or Significant Revenues

Red Light Holland has limited history upon which to evaluate its performance and future prospects. The Company's current operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Company makes significant investments in research, development, and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. Red Light Holland will only be able to pay dividends on any shares once its directors determine that it is financially able to do so.

#### Reliance on a Single Facility

The Company's cultivation and production activities are conducted exclusively within the Facility, which is located in Horst, the Netherlands, and the Company anticipates that such activities will continue to be conducted within the Facility for the foreseeable future. The Company's operation and the condition of the Facility is, and will be, subject to hazards inherent in the truffles industry, including structural or equipment defects, malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the Facility. Any adverse changes or developments (whether in the Netherlands generally or within the Facility) affecting the Facility could have a material and adverse effect on the Company's ability to continue to cultivate and produce its brand of truffles, and could have a material adverse effect on the Company.

#### Difficulty in Obtaining, or Unviability in Pursuing, EU-GMP Certification of Facility

Red Light Holland's business objectives include obtaining EU-GMP certification for the Facility, in order to enable the Company to grow and sell EU-GMP certified truffles within the Netherlands. However, as of the date of this short form prospectus, in light of among other things the existing uncertainty brought about by COVID-19, Red Light Holland is further considering and evaluating the economic viability and benefits of proceeding with building-out the Facility in order to obtain EU-GMP certification for the Facility.

In order to complete the EU-GMP certification for the Facility, Red Light Holland must undertake Phase 3, as part of which Red Light Holland must engage a consultancy firm to, among other things, obtain a build-out plan that is tailored to suit the Company's business objectives at the time of such consultation process, as the same may exist in light of the impact of COVID-19 on, among other things, the Company's specific business objectives in respect of, and the reasons for, the EU-GMP certification for the Facility, as well as the then prevailing market and competitive conditions in respect of such objectives. Although obtaining EU-GMP certification for the Facility could potentially provide the Company with a competitive edge, by enabling it to cultivate and sell EU-GMP certified truffles, there can be no guarantee that Red Light Holland will commence Phase 3, or that, if Phase 3 is commenced, that Red Light Holland will be successful in obtaining EU-GMP certification for the Facility. In particular, as of the date of this short form prospectus, there is a heightened risk that management may ultimately determine that it is not in the best interest of the Company to pursue EU-GMP certification for the Facility. In the event that management determines not to obtain, or pursues but fails to obtain, EU-GMP certification for the Facility (including as a result of factors beyond the

control of the Company), any such decision or failure could have a material adverse effect on the Company. Further, in the event that the Company is successful in obtaining EU-GMP certification for the Facility, any failure to comply with the requirements of the EU-GMP certification or any failure to maintain the conditions and requirements associated with such EU-GMP certification could have a material adverse effect on the Company.

#### Liability, Enforcement Complaints

As a company engaged in the truffles industry within the Netherlands, the Company may from time to time become subject to litigation, formal or informal complaints, enforcement actions, and inquiries, including by one or more federal or local governmental authorities in the Netherlands. Any such litigation, complaints, and/or enforcement actions involving the Company could consume a considerable amount of financial and other corporate resources and the time of management and could have a material adverse effect on the Company.

#### Reliance on Operations in Foreign Jurisdictions

As of the date of this short form prospectus, the Company's operations are conducted exclusively within the Netherlands. As such, the Company's operations at various times may be exposed to political, economic, and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to: (i) renegotiation, termination or rescission of licenses, permits and contracts, from time to time held by the Company (or any Industry Partner) or to which the Company (or any Industry Partner) is a party, (ii) changing political conditions, (iii) currency exchange rate fluctuations, (iv) taxation policies, and (v) changing government policies and legislation. The Company's operations within the Netherlands may also be affected in varying degrees by changes to laws, regulations, and guidelines applicable to foreign entities with respect to, but not limited to, the production of truffles, price controls, currency remittance, income taxes (including VAT), foreign investment, environmental legislation, and use of real property. Any change in such or similar laws, regulations, and guidelines, or shifts in political attitude, could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. Management cannot accurately predict the full impact of any such occurrence on the Company's operations and profitability. Finally, the Company may be subject to the exclusive jurisdiction of courts of the Netherlands in the event of any dispute arising from the Company's operations in the Netherlands.

#### Unknown Health Impacts

There may be unknown health impacts associated with the use of truffles and products derived from truffles. As of the date of this short form prospectus, there is minimal data and few studies on the short-term and long-term effects of the consumption or use of truffles on human health, whether used for recreational or medicinal purposes. As such, as is the case with analogous businesses engaged in the cannabis industry, for example, there are inherent risks associated with consumption of the Company's product offerings, including the truffles within the iMicrodose Packs. The Company's product offerings should be consumed with care, and as directed on the packaging and associated product information accompanying the Company's product offerings, including the iMicrodose Packs. Consumers should never modify truffles or add any other substances to truffles as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from the human consumption of truffles may occur and consumers should consume truffles at their own risk or in accordance with the direction of a health care practitioner.

#### Product Viability

In general, truffles have minimal long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry or other supplements or medications. As a result, the Company's brand of truffles could have certain side effects if not used as directed or if taken by an end user that has certain known or unknown medical conditions. If the Company's brand of truffles and future product offerings are not perceived to have the effects intended by the end user, the Company's business

and its reputation may suffer, any of which could have a material adverse effect on the Company.

#### Factors which may Prevent Realization of Growth Targets

Red Light Holland's business is in the development stage. Accordingly, there is a risk that the resources necessary for its business and operations may not be secured on time, on budget, or at all, and further, that the Company may not have sufficient truffles and/or future products available to meet the anticipated future demand when it arises, as a result of being adversely affected by a variety of factors, including some that are discussed elsewhere in these Risk Factors and the following:

- failure, or delays in, obtaining, or satisfying conditions from time to time imposed by, regulatory approvals;
- non-performance by third party Industry Partners;
- increases in materials or labour costs;
- breakdown, aging or failure of equipment or processes;
- third party or operator errors;
- operational inefficiencies;
- disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and/or
- major incidents and/or catastrophic events such as fires, explosions or storms.

Red Light Holland may experience additional expenditures related to unforeseen issues that have not been taken into account in the preparation of this short form prospectus.

#### Additional Financing

The continued development of the Company's business may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of the Company's current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase Red Light Holland's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for Red Light Holland to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. Red Light Holland may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict Red Light Holland's ability to pursue its business objectives.

#### Early Stage of the Industry and Growth

The truffles space is in a nascent stage. Unforeseen and unanticipated changes in, or introduction of, laws and regulations in the Netherlands and jurisdictions within which the Company may from time to time be engaged in could have a material adverse effect on the Company's ability to successfully establish its business and market its premium brand of truffles. The truffles space may also be subject to rapid and sustained growth and development, resulting in a variety of competitors and companies entering the market, which could have a material adverse effect on the Company's ability to attract and retain staff and consumer support for its product offerings.

### Liquidity and Future Financing

Red Light Holland is in its early stage of development and has not yet generated meaningful revenue and will likely operate at a loss until such time as its business becomes established. Although Red Light Holland has, as of the date of this short form prospectus, sufficient capital to fund its ongoing business development and future growth and expansion plans for the foreseeable future, Red Light Holland may in the future require additional financing in order to fund such purposes. Red Light Holland's ability to secure any such required financing will depend, in part, upon investor perception of Red Light Holland's ability to build and maintain a successful business, as well as other factors beyond Red Light Holland's control. There can be no assurance that Red Light Holland will be able to successfully obtain additional financing, or that future financing will occur on terms satisfactory to Red Light Holland and/or its shareholders. If adequate funds are not available to Red Light Holland, or are not available on acceptable terms, Red Light Holland may be required to scale back its business plan or cease operating. Future financing conducted by issuing securities of Red Light Holland may result in shareholders suffering additional dilution.

### Dependence on Third Parties

As a company in its early stage of development, the Company has established relationships with various Industry Partners in the truffles industry in order to begin operations, develop its brand and product recognition, and generate revenue within the Netherlands. As of the date of this short form prospectus, the Company has established working relationships with four Industry Partners in the truffles industry within the Netherlands, and to date, the Company's relationships with the Industry Partners have been a significant contributor to its ability to introduce its brand of truffles within the Netherlands. In particular, as of the date of this short form prospectus, the Company's brand of truffles is sold exclusively within retail establishments operated by Industry Partners which may be considered competitors of the Company within the truffles industry in the Netherlands, with certain of such Industry Partners having both their own dedicated Smart Shops and cultivation and production facilities. In the event that one or more of the Company's Industry Partners were to cease providing the Company with an adequate supply of truffles or cease distributing the Company's brand of truffles through their own dedicated Smart Shops, any such occurrence could have a material adverse effect on the Company.

There can be no assurance that the Company will be able sustain its existing relationships with Industry Partners, or establish and maintain new relationships with Industry Partners necessary to meet its ongoing business needs. Further, there can be no assurance that Industry Partners with which the Company has established relationships with will continue to meet the Company's business needs from time to time, on a timely basis, or at all.

### Future Expansion Efforts

There can be no assurance that the Company's current expansion strategy will be completed in the currently proposed form, if at all, nor can there be any guarantee that the Company will be able to expand into one or more additional jurisdictions in the future outside of the Netherlands. Any such expansion will require, among other things, various authorizations, and there can be no assurance that the Company will be successful in obtaining any or all required authorizations in a timely fashion, or at all, and accordingly, there can be no assurance that the Company will be able to complete any such expansion as anticipated or at all. Any failure to successfully execute on the Company's expansion strategy could have a material adverse effect on the Company.

In addition, the proposed build-out of the Facility in order to obtain EU-GMP certification is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond the Company's control, including the failure to obtain the requisite authorizations, delays in the delivery or installation of equipment by the Company's suppliers, difficulties in integrating new equipment within the Facility, shortages in materials or labor, defects in design or construction, diversion of management resources, or insufficient funding or other resource constraints. Moreover, actual costs for the proposed build-out may exceed the Company's allocated budget(s). Any one or more of construction delays, cost overruns, changes in market circumstances or other factors could have a material adverse

effect on the Company.

#### Reliance on Informal Arrangements

As of the date of this short form prospectus, the Company has not entered into any binding written agreements with a majority of its existing Industry Partners. Instead, the Company's present business relationships with a majority of its Industry Partners are based on informal arrangements of a nature customarily entered into by participants in the truffles industry within the Netherlands. As a result, in contrast to companies operating in other industries which may have written agreements with their respective Industry Partners, the Company is subject to the increased and unique risk that its existing arrangements with its Industry Partners may be terminated more easily. Any such termination could have a material adverse effect on the Company.

#### Enforcement of Legal Rights

In the event of a dispute arising from the Company's operations within the Netherlands, the Company may be subject to the exclusive jurisdiction of the courts of the Netherlands or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of applicable securities laws. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

### LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon by Garfinkle Biderman LLP on behalf of the Company and Cassels Brock & Blackwell LLP on behalf of the Underwriter. As at the date of this short form prospectus, the partners and associates of each of Garfinkle Biderman LLP and Cassels Brock & Blackwell LLP who participated in or were in a position to directly influence the preparation of the opinions of their respective firms, each of the aforementioned partnerships (and their partners, associates and employees) beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares and warrants, and such groups respectively each own less than 1% of the outstanding securities of any associate or affiliate of the Company.

### PROMOTER

Other than as described below, no person or company has been a promoter of the Company during the two most recently completed financial years of Red Light Holland ended March 31, 2020 and 2019.

Todd Shapiro, the CEO and a director of Red Light Holland, may be considered to be a promoter of the Company. Subsequent to the fiscal year ended March 31, 2020, Mr. Shapiro assumed a more involved role with the Company, taking the initiative in organizing and establishing the business. As at the date of this short form prospectus, Mr. Shapiro continues to be a promoter of the Company. To the Company's knowledge, as of the date hereof, Mr. Shapiro holds, controls or directs, 9,625,000 Common Shares, representing approximately 3.18% of the issued and outstanding Common Shares on a undiluted basis.

Mr. Shapiro was a former shareholder of Red Light Holland Debt Inc. ("**Debtco**"). The Company acquired all of the common shares of Debtco held, controlled and directed by Mr. Shapiro in connection with a three-cornered amalgamation completed by the Company on May 22, 2020. Pursuant to the three-cornered amalgamation, Debtco and 2747451 Ontario Inc., a wholly-owned subsidiary of the Company, amalgamated under the *Business Corporations Act* (Ontario), with the amalgamated entity continuing under the name "Red Light Holland (Subco 2) Inc." as a wholly-owned subsidiary of the Company. In connection with the three-cornered amalgamation, each former shareholder of Debtco received one (1) Common Share for each common share in the capital of Debtco ("**Debtco Share**") held, with Mr. Shapiro being issued an aggregate of 9,625,000 Common Shares in exchange for 9,625,000 Debtco Shares formerly held by Mr.

Shapiro. The three-cornered amalgamation, including the number of Common Shares to be exchanged for each Debtco Share pursuant to the three-cornered amalgamation, was approved by the former members of the Board, in April 2020, prior to the date on which Mr. Shapiro became a director and executive officer of the Company. Mr. Shapiro was, at such time, independent of and unaffiliated with, the Board.

For additional information on remuneration that Mr. Shapiro will receive in connection with his role as CEO, and a director of the Company, see the section entitled: “*Statement of Executive Compensation*” in the Information Circular and for additional information on the Debtco amalgamation, see the Annual Information Form, copies of which is available on the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com)

### **INTEREST OF EXPERTS**

The auditor of Red Light Holland, McGovern Hurley LLP, is independent with respect to Red Light Holland, in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies of 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. Purchasers should refer to any applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

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

## CERTIFICATE OF THE COMPANY

Dated: February 17, 2021

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 the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia.

Signed "Todd Shapiro"  
Chief Executive Officer  
Todd Shapiro

Signed "Kyle Appleby"  
Chief Financial Officer  
Kyle Appleby

On behalf of the Board of Directors

Signed "Ann Barnes"  
Director  
Ann Barnes

Signed "Binyomin Posen"  
Director  
Binyomin Posen

## CERTIFICATE OF THE UNDERWRITER

Dated: February 17, 2021

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 in this short form prospectus as required by the securities legislation of each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia.

### **EIGHT CAPITAL**

Signed "*Elizabeth Staltari*"  
Elizabeth Staltari  
Principal, Managing Director

## CERTIFICATE OF THE PROMOTER

Dated: February 17, 2021

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 in this short form prospectus as required by the securities legislation of each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia.

Signed "Todd Shapiro"  
Todd Shapiro