

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

The securities offered by this short form prospectus 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 state securities laws and, subject to certain exceptions, may not be offered or sold within the United States except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities requirements. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. 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 Executive Officer of Valens GroWorks Corp. at 230 Carion Road Kelowna, British Columbia, V4V 2K5, telephone (778) 755-0052, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

October 3, 2018



V A L E N S

Valens GroWorks Corp.

\$25,000,000
12,820,513 Units
\$1.95 per Unit

This short form prospectus (the "**Prospectus**") is being filed in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the "**Qualifying Jurisdictions**") by Valens GroWorks Corp. (the "**Company**") to qualify the distribution of 12,820,513 units of the Company (each, a "**Unit**") at a price of \$1.95 per Unit (the "**Offering Price**") for gross proceeds of \$25,000,000 (the "**Offering**"). Each Unit shall be comprised of one common share of the Company (each a "**Common Share**" and collectively, the "**Common Shares**") and one half of one Common Share purchase warrant (each whole such warrant, a "**Warrant**"), each Warrant entitling the holder thereof to purchase one additional Common Share (each, a "**Warrant Share**") at a price of \$2.54 per Warrant Share at any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the date of closing of the Offering (the "**Closing Date**"), subject to adjustment in certain events. In the event that the volume weighted average trading price of the Common Shares on the Canadian Securities Exchange ("**CSE**") for ten consecutive trading days exceeds \$3.81, the Company shall have the right to accelerate the expiry date of the Warrants upon not less than fifteen days' notice.

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

The Units will be issued and sold pursuant to an underwriting agreement (the “**Underwriting Agreement**”) dated September 21, 2018 between the Company and AltaCorp Capital Inc. (“**AltaCorp**”) as sole bookrunner, Mackie Research Capital Corp. (together with AltaCorp, the “**Co-Lead Underwriters**”) and including Beacon Securities Limited (collectively, the “**Underwriters**”). The Offering Price was determined by negotiation among the Company and AltaCorp, on behalf of the Underwriters. See “*Plan of Distribution*”.

The Company has granted to the Underwriters an over-allotment option (the “**Over-Allotment Option**”), exercisable in whole or in part, at any time and from time to time in the sole discretion of the Underwriters, for a period of thirty (30) days from the closing of the Offering, to purchase up to an additional 1,923,077 Units. The Over-Allotment Option may be exercisable by the Underwriters in respect of: (i) Units at the Issue Price; or (ii) Common Shares (“**Over-Allotment Common Shares**”) at a price of \$1.8259; or (iii) Warrants (“**Over-Allotment Warrants**”) at a price of \$0.2483; or (iv) any combination of Over-Allotment Shares and/or Over-Allotment Warrants, so long as the aggregate number of Over-Allotment Shares and Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed 1,923,077 Over-Allotment Shares and 961,539 Over-Allotment Warrants (any of the foregoing, the “**Option Units**”), representing up to 15% of the Units issued pursuant to the Offering, to cover over-allocations, if any, and for market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Option Units pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Underwriters’ over-allocation position acquires such Option Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. References in this Prospectus to the “Units” includes the Option Units, and references in this Prospectus to the “Offering” includes the Over-Allotment Option, if and to the extent exercised. See “*Plan of Distribution*”.

The common shares in the capital of the Company (“**Common Shares**”) are traded on the CSE under the symbol “VGW”. On September 17, 2018, the last trading day prior to the announcement of the Offering, the closing prices of the Common Shares on the CSE, was \$2.12, and on October 2, 2018, the last trading day prior to the filing of this Prospectus, the closing prices of the Common Shares on the CSE, was \$1.82.

	Price to the Public⁽¹⁾	Underwriters’ Fee⁽²⁾	Net Proceeds to the Company⁽³⁾
Per Unit	\$1.95	\$0.117	\$1.833
Total ⁽⁴⁾	\$25,000,000	\$1,500,000	\$23,500,000

Notes:

- (1) The Offering Price was determined by arm’s length negotiation between the Company and AltaCorp, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares.
- (2) In consideration for the services rendered by the Underwriters in connection with the Offering, the Underwriters will be paid a cash fee (the “**Underwriters’ Fee**”) equal to 6% of the gross proceeds of the Offering (including pursuant to any exercise of the Over-Allotment Option). In addition, the Underwriters will be issued non-transferable warrants (“**Broker Warrants**”) entitling the Underwriters to purchase that number of Units equal to 6% of the number of Units sold pursuant to the Offering (including pursuant to any exercise of the Over-Allotment Option) (the “**Underwriters’ Units**”), and each Broker Warrant entitles the holder to purchase one Underwriters’ Unit at the Offering Price for a period of 24 months from the closing of the Offering. This Prospectus qualifies the grant of the Broker Warrants to the Underwriters. See “*Plan of Distribution*” and “*Description of Securities Being Distributed - Broker Warrants*”.
- (3) After deducting the Underwriters’ Fee, but before deducting expenses of the Offering (estimated to be approximately \$250,000), including in connection with the preparation and filing of this Prospectus, which will be paid from the gross proceeds of the Offering.
- (4) If the Over-Allotment Option is exercised in full through the purchase of Option Units, the total Price to the Public, Underwriters’ Fee and Net Proceeds to the Company will be \$28,750,000, \$1,725,000 and \$27,025,000, respectively, before deducting the expenses of the Offering.

The following table sets out the number of options and other compensation securities that have been issued or may be issued by the Company to the Underwriters and which are exercisable to acquire Common Shares:

Underwriters' Position	Maximum Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option ⁽¹⁾	1,923,077 Option Units	Exercisable for a period of 30 days from closing of the Offering.	\$1.95 per Option Unit
Broker Warrants ⁽¹⁾	884,615 Underwriters' Units ⁽²⁾	Exercisable for a period of 24 months from closing of the Offering.	\$1.95 per Underwriters' Share
Underwriter Unit Warrants	442,308 Underwriter Warrants	Exercisable for a period of 24 months from closing of the Offering. In the event that the volume weighted average trading price of the Common Shares on the CSE for ten consecutive trading days exceeds \$3.81, the Company shall have the right to accelerate the expiry date of the Warrants upon not less than fifteen days' notice.	\$2.54
Total	3,250,000 Common Shares ⁽²⁾		

Notes:

- (1) This Prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Option Units issuable upon exercise of the Over-Allotment Option, as well as the grant of the Broker Warrants to the Underwriters. See "*Plan of Distribution*".
- (2) Assumes Broker Warrants to purchase 115,384 Underwriters' Units are issued to the Underwriters in connection with the full exercise of the Over-Allotment Option. If the Over-Allotment Option is not exercised, Broker Warrants to purchase only 769,231 Underwriters' Units will be issued and the aggregate maximum number of Units that may be issued will be 13,589,744.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement. See "*Plan of Distribution*".

The Offering Price for the Units offered under this Prospectus was determined by arm's length negotiation between the Company and AltaCorp, on behalf of the Underwriters. **The Underwriters may offer the Units at a price lower than that stated above. See "*Plan of Distribution*".** Notwithstanding any such reduction by the Underwriters in the Offering Price, the Company will still receive net proceeds of \$1.833 per Unit purchased by the Underwriters under the Offering.

Subscriptions for the Offering will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about October 10, 2018, or such other date as the Co-Lead Underwriters and the Company may agree upon (the "**Closing Date**"); however, the Units offered pursuant to this Prospectus are to be taken up by the Underwriters, if at all, on or before a date that is not later than 42 days after the date of the receipt for the final short form prospectus. The Common Shares and Warrants will be issued as non-certificated securities registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**"), and no certificates representing Common Shares or Warrants will be issued under the Offering, except in certain limited circumstances. See "*Plan of Distribution*" and "*Depository Services*". A purchaser of Units, including a purchaser of Units in the United States that is a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act ("**Qualified Institutional Buyer**"), will receive only a customer confirmation from the CDS participant through which Units are purchased. See "*Depository Services*".

Certain legal matters in connection with the Offering and this Prospectus have been reviewed on behalf of the Company by Irwin Lowy LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP.

An investment in securities of the Company involves a high degree of risk and must be considered speculative due to the nature of the Company's business and the current stage of operations. An investment in the Units is subject to certain risks. Prospective investors should carefully review and consider the risk factors described in and

incorporated by reference in this Prospectus. See “*Forward-Looking Information*” and “*Risk Factors*” in this Prospectus and in the AIF (as defined herein), “*Forward Looking Statements*”, “*Financial Risk Factors*” and “*Risks and Uncertainties*” in the Annual MD&A (as defined herein) and “*Forward Looking Statements*”, “*Financial Risk Factors*” and “*Risks and Uncertainties*” in the Interim MD&A (as defined herein).

You should rely only on the information contained in this Prospectus (including the documents incorporated herein by reference). Neither the Company nor the Underwriters have authorized anyone to provide you with information different from that contained in this Prospectus. Readers should not assume that the information contained or incorporated by reference in this Prospectus is accurate as of any date other than the date on the front of this Prospectus or the respective dates of the documents incorporated by reference herein. The Company does not undertake to update the information contained or incorporated by reference herein, except as required by applicable securities laws.

The Company’s head office and registered office is located at 230 Carion Road Kelowna, British Columbia, V4V 2K5.

All references herein to “\$” are to Canadian dollars unless otherwise specified.

This Prospectus qualifies the distribution of securities of an entity with U.S. marijuana-related activities. While some states in the United States have authorized the use and sale of cannabis, it remains illegal under U.S. federal law. An increase in federal enforcement efforts with respect to current U.S. federal laws applicable to cannabis could have an adverse financial effect on the Company. While the Company's U.S. marijuana-related activities are ancillary, enforcement of the U.S. federal law is a significant risk.

The United States federal government regulates drugs through the *Controlled Substances Act* (21 U.S.C. § 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

Given the current illegality of cannabis under United States federal law, the Company’s ability to access both public and private capital may be hindered by the fact that most financial institutions are regulated by the United States federal government and are thus prohibited from providing financing to companies engaged in cannabis related activities. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

The Company’s investments in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the issuer’s ability to operate in the United States or any other jurisdiction. For more information regarding the foregoing and the other risk factors applicable in respect of an investment in the Company, please see “*United States Marijuana Industry Involvement*” and “*Risk Factors*” below.

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FORWARD-LOOKING INFORMATION

This Prospectus contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively referred to herein as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this Prospectus. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: availability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance and are inherently uncertain. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Forward-looking statements are based on the reasonable beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. Certain forward-looking statements herein and incorporated by reference relating to medical and recreational marijuana, extracts, domestic and international markets and regulation, the general expectations of the Company related thereto, and the Company's business and operations are based on estimates prepared by the Company using data from publicly available government sources, as well as from market-research and industry analysis and on assumptions based on data and knowledge of this industry that the Company believes to be reasonable. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: credit risk; liquidity risk; market risk; currency risk; interest risk; concentration risk; dependence on senior management; sufficiency of insurance; competition; general business risk and liability; regulation of the marijuana industry; regulatory risks; change in laws, regulations and guidelines; reliance on licence renewal; reliance on a single facility; limited operating history; factors which may prevent realization of growth targets; risks inherent in an agricultural business; vulnerability to rising energy costs; publicity or consumer perception; product liability; product recalls; reliance on key inputs; difficulties with forecasts; exchange restrictions on business; management of growth; litigation; dividends; limited market for securities; environmental and employee health and safety regulations, which are outlined under the heading "*Risk Factors*" in the AIF (defined herein), which is incorporated herein by reference. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.

The lists of risk factors set out herein and/or in the documents incorporated by reference into this Prospectus are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results, performance or achievements could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Prospectus generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, global financial and credit markets have experienced significant debt and equity market and commodity price volatility, which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update

any forward-looking statements, other than as required by applicable law. For all of these reasons, prospective investors should not place undue reliance on forward-looking statements.

FINANCIAL INFORMATION

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

ELIGIBILITY FOR INVESTMENT

In the opinion of Irwin Lowy LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder in force on the date hereof, proposals to amend the Tax Act or the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”), the Common Shares, Warrants, and the Warrant Shares, if issued on the date hereof, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”), tax-free savings account (“**TFSA**”, and collectively “**Registered Plans**”) or a deferred profit sharing plan, provided that:

- (i) in the case of the Common Shares and the Warrant Shares, the common shares of the Company are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE); and
- (ii) in the case of Warrants, the Warrant Shares are qualified investments as described in (i) above and neither the Company, nor any person with whom the Company does not deal at arm’s length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan.

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

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with the 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 Executive Officer of the Company at 230 Carion Road Kelowna, British Columbia, V4V 2K5, telephone (778) 755-0052, and are also available electronically at www.sedar.com. The filings of the Company through the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) are not incorporated by reference in this Prospectus except as specifically set out herein.

The following documents, filed by the Company with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- a) the annual information form of the Company, dated September 12, 2018, for the year ended November 30, 2017 (the “**AIF**”);
- b) the audited consolidated financial statements of the Company for the year ended November 30, 2017 and the related notes thereto and auditor’s report thereon (the “**Annual Financial Statements**”);

- c) the Company’s management’s discussion and analysis for the year ended November 30, 2017 (the “**Annual MD&A**”);
- d) the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended May 31, 2018, and the related notes thereto (the “**Interim Financial Statements**”), except for the notice therein provided under section 4.3(3)(a) of National Instrument 51-102 – *Continuous Disclosure Obligations*;
- e) the Company’s management’s discussion and analysis for the six months ended May 31, 2018, (the “**Interim MD&A**”);
- f) the following material change reports of the Company
 - (i) December 18, 2017 – related to the increase in the previously announced private placement offering of 2,000,000 units of the Company at a price of \$1.00 per unit for gross proceeds of up to \$2,000,000;
 - (ii) February 15, 2018 – related to the completion of the first and second tranches of a non-brokered private placement of Common Shares at a price of \$1.40 on February 5 and February 9, 2018, respectively, for aggregate gross proceeds of \$12,385,869.60;
 - (iii) February 28, 2018 – related to the reduction in the number of options granted to a consultant to 1,000,000 options exercisable at a price of \$2.50 per share and expiring on February 23, 2023;
 - (iv) October 1, 2018 – related to the Company entering into a two-part, multi-year licence agreement with Tarukino Holdings, Inc. (“**Tarukino**”).
- g) the management information circular of the Company dated August 31, 2018, in respect of the Company’s annual meeting of shareholders to be held on October 5, 2018, and
- h) the template version of the term sheet for the Offering dated as of September 17, 2018, summarizing the terms of the Offering (the “**Term Sheet**”).

Any other documents of the type referred to in National Instrument 44-101 — *Short Form Prospectus Distributions* (“**NI 44-101**”) required to be incorporated by reference in a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), financial statements and related management’s discussion and analysis, business acquisition reports and information circulars, if filed by the Company with the provincial securities commissions or similar authorities in Canada subsequent to the date of this Prospectus and prior to the completion of the distribution of the Units, are deemed to be incorporated by reference in this Prospectus.

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

MARKETING MATERIALS

Any “template version” of any “marketing materials” (as such terms are defined under applicable Canadian securities laws) that is used by the Underwriters in connection with the Offering does not form a part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any marketing materials that has been, or will be, filed under the Company’s profile on SEDAR at www.sedar.com before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

THE COMPANY

The Company was incorporated under the laws of British Columbia as "Mayen Minerals Ltd." on January 14, 1981. Initially, the Company was a mineral exploration stage company engaged in acquiring, exploring and developing resource properties. In order to reflect the change of business of the Company to focus on oil and gas initiatives, on September 25, 2012 the Company changed its name to "Rift Basin Resources Corp." and it further changed its name to "Asean Energy Corp." on August 25, 2014.

In response to falling oil and gas prices, on March 16, 2015, the Company completed a corporate restructuring pursuant to a plan of arrangement approved by the Supreme Court of British Columbia pursuant to which the Company distributed most of its assets to the shareholders of the Company and effective August 14, 2015, it changed its name to "Genovation Capital Corp."

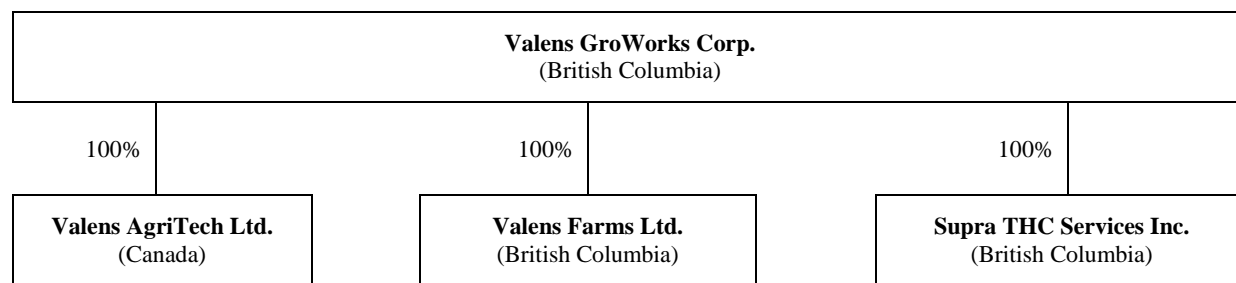
On November 17, 2016, the Company changed its name to its current name, "Valens GroWorks Corp.", to reflect the change in its business activities following the completion of the acquisition, pursuant to a reverse takeover, of Valens AgriTech Ltd. ("**VAL**"), a biotechnology company focused on cannabis cultivation and research, now a wholly-owned subsidiary of the Company.

The Company's registered office is located at 230 Carion Road Kelowna, British Columbia, V4V 2K5. The Company is currently a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and upon the issuance of a final receipt in respect of the Offering, the Company will be a reporting issuer in each of the provinces of Canada, excluding Quebec. The common shares of the Company (the "**Common Shares**") trade under the trading symbol "VGW" on the CSE.

BUSINESS OF THE COMPANY

The Company operates through its three wholly-owned subsidiaries, VAL, Supra THC Services Inc. ("**Supra**") and Valens Farms Ltd. ("**Farms**"), all of which are based in the Okanagan Valley of British Columbia. VAL was incorporated under the *Canada Business Corporations Act* on April 14, 2014, holds a Health Canada Dealer's Licence and is undergoing an expansion and additional licensing in anticipation of commercial cannabis production. Supra was incorporated under the *Business Corporations Act* of the Province of British Columbia on December 10, 2015 and is a Health Canada licensed cannabis testing lab providing sector-leading analytical and proprietary services to Licensed Producers and *Access to Cannabis for Medical Purposes Regulations* (Canada) ("**ACMPR**") patients. Farms was incorporated under the *Business Corporations Act* (British Columbia) on July 19, 2018, to hold the Company's interests in its joint venture with Kosha Projects Inc.

Set out below is the corporate structure of the Company and its subsidiaries, including the corporate jurisdiction and the percentage of shares of the applicable subsidiary owned, controlled or directed by the Company.



Both VAL and Supra are involved in collaborative research partnerships with BC-based universities UBC Okanagan and Thompson Rivers to explore the range of bio products that can be made from cannabis plant materials. Supra, in collaboration with Thermo Fisher Scientific (Mississauga) Inc., is developing a "Centre of Excellence in Plant Based Medicine Analytics" at the Company's 17,000 square foot facility located on two acres in Kelowna, British Columbia.

The Company currently holds two licences, initially issued by Health Canada to VAL and Supra on January 13, 2017 and February 27, 2017, respectively, pursuant to the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**"), as

renewed and amended by Health Canada from time to time, granting VAL and Supra the authority to conduct research, possess, produce, sell, transport and deliver cannabis, cannabis resin, and tetrahydrocannabinol and cannabidiol to facilities in possession of a controlled substances licence, a licence issued under the *ACMPR* or to a person in possession of a valid exemption under subsection 56(1) of the *CDSA* for scientific purposes. The VAL licence also permits the packaging of cannabis and cannabis derived products. On January 8, 2018, the Company submitted its application to Health Canada for a Licensed Producer Licence under the *ACMPR* and the application is currently pending. (See "*Risk Factors*")

The Company currently leases its 17,000 square foot extraction and grow facility (the "**Kelowna Facility**"), located on two acres in Kelowna, British Columbia from Northok Properties Inc ("**Northok**"). Northok is a company controlled by Ashley McGrath, a director of the Company. The lease agreement provides the Company an option to purchase the Kelowna Facility and in connection therewith, the Company anticipates acquiring the Kelowna Facility in the fourth quarter of 2018 or the first quarter of 2019 at its current market value, as supported by an independent appraisal. Because the Kelowna facility is leased from Northok, a company controlled by a director of the Company, a potential conflict of interest could arise. In order to manage such conflicts, interested parties are precluded from voting on matters in which they may have an interest. The Board convenes meetings, as deemed necessary, at which interested directors and/or members of management are not in attendance. To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by the non-interested directors. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Recent Developments

On September 21, 2018, the Company entered into a manufacturing and sales license agreement (the "**License Agreement**") with Tarukino, a Delaware corporation operating in the state of Washington. During the term of the License Agreement and subject to certain performance milestones, the Company shall be granted an exclusive limited license to Tarukino-branded marijuana-derived cannabinoid and terpenes ("**CT**") in both liquid and powder form. The License Agreement shall also allow the Company to produce, manufacture, market, sell and distribute CT-infused and hemp derived CBD-infused beverages, edibles and other consumer products within Canada under the Company's brand, or affiliate or partner brands and any such future brands as may be made by the Company. See "*Nature of U.S. Involvement – Tarukino*", below.

United States Marijuana Industry Involvement

Nature of U.S. Involvement

The Company has an ancillary involvement in the U.S. marijuana industry. Such ancillary involvement is limited to the following arrangements:

MKHS LLC ("**MKHS**") – On November 24, 2015, the Company entered into a commitment letter with MKHS (the "**Commitment Letter**"). Under the terms of the Commitment Letter, the Company undertook to fund MKHS' working capital needs and facilities expansion. All funds advanced to MKHS by the Company were secured and collateralized pending the closing of the MKHS Transaction. MKHS supplies medical marijuana pursuant to the *Arizona Medical Marijuana Act*, operating a warehouse cultivation, commercial kitchen and extraction facility and two nearby automated greenhouses. MKHS also operates two state-licensed "healing center" dispensaries and distributes its own in-house prepared, branded line of edibles, concentrates and extracts. Although the Company intends to divest itself of this investment, such divestiture is not yet complete.

Tarukino – On September 21, 2018, the Company entered into a License Agreement with Tarukino, whereby the Company shall receive exclusive and non-exclusive licenses to sell Tarukino-branded products in Canada based on meeting certain milestones. The Company shall issue Common Shares and warrants and pay royalties to Tarukino based on the revenues derived from the licences. Tarukino owns all rights, title and interest in and to certain proprietary oil emulsion technology that transforms cannabis oil into water-compatible forms. To the Company's knowledge, Tarukino operates in compliance with the applicable licensing requirements of the state of Washington.

Washington State Marijuana Laws

Washington State has both medical and adult-use marijuana programs. The original medical marijuana law, passed by voters in 1998, allows physicians to authorize cannabis for an inclusive set of qualifying conditions including chronic pain and created a patient/caregiver system without explicitly permitting businesses. When Initiative 502 legalized marijuana for adults 21 years of age and older in 2012, it regulated adult-use marijuana businesses and left the unregulated medical marijuana establishments in a precarious situation. In 2015, the Governor of Washington signed Senate Bill 5052, which forced the closure of existing unregulated medical dispensaries and allows existing adult-use retail marijuana stores to apply for a “medical marijuana endorsement” to sell medical marijuana tax free to registered qualifying patients and their designated caregivers.

The Washington State Liquor and Cannabis Board (“**WSLCB**”) regulates adult-use marijuana businesses and those with a medical endorsement. The WSLCB licenses cultivation facilities, product manufacturing facilities, retail stores, transportation licensees, and testing facilities. All individuals and entities considered a “true party of interest” in a marijuana business license must have at least six months of Washington residency. Unlike many other states, Washington prohibits vertical integration between adult-use marijuana retailers and cultivators. Common ownership between cultivation and processors is permitted. A single entity, and/or principals within an entity, are limited to no more than three marijuana producer licenses, and/or three marijuana processor licenses, or five retail marijuana licenses.

The WSLCB re-opens its application process for growers, processors or retail stores at its discretion, taking into consideration factors such as patient consumption data and population dynamics. The state is currently not accepting new applications for growers, processors or retail stores.

Enforcement of U.S. Federal Laws

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the ACMPR, in the United States, cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such the state laws conflict with the federal laws. As a result, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the “**Cole Memorandum**”) addressed to all United States district attorneys, outlining certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority for prosecution at the federal level. However, in March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the “**Sessions Memorandum**”) that rescinded the guidance in the Cole Memorandum.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute marijuana-related activities despite the fact that such activities may be legal at the state-level. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis-related activities, and it is uncertain how actively federal prosecutors will prosecute in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. See “*Risk Factors*”.

For the reasons set forth above, the Company’s existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded securities. In addition, it is difficult for the Company to estimate the time or resources that

would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "Risk Factors".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated share capitalization of the Company as at September 14, 2018: (i) on an actual basis, (ii) on an adjusted basis to give effect to the Offering (prior to any exercise of the Over-Allotment Option), and (iii) on an adjusted basis to give effect to the Offering assuming the full exercise of the Over-Allotment Option. This table should be read in conjunction with the Interim Financial Statements and the Interim MD&A that are incorporated by reference in this Prospectus.

	As at September 14, 2018 before giving effect to the Offering	As at September 14, 2018 after giving effect to the Offering (prior to any exercise of the Over-Allotment Option)	As at September 14, 2018 after giving effect to the Offering (assuming full exercise of the Over- Allotment Option)
Common Shares	\$163,773,408.96 ⁽¹⁾ (73,113,129 Common Shares)	\$192,491,358.08 ⁽²⁾ (85,933,642 Common Shares)	\$196,799,050.56 ⁽³⁾ (87,856,719 Common Shares)
Warrants	877,750 ⁽⁴⁾	7,288,006	8,249,544
Broker Warrants	Nil	769,231	884,615
Stock Options	5,651,667 ⁽⁵⁾	5,651,667 ⁽⁵⁾	5,651,667 ⁽⁵⁾

Notes:

- (1) Calculation based on a price of \$2.24, the last closing price of the Company's Common Shares listed on the CSE as of September 14th, 2018.
- (2) Calculation based on net proceeds to the Company of \$23,500,000 (assuming the Over-Allotment Option is not exercised) and after deducting payment of the Underwriters' Fee of \$1,500,000, but before deducting expenses of the Offering, estimated to be approximately \$250,000.
- (3) Calculation based on net proceeds to the Company of \$27,025,000 (assuming the Over-Allotment Option is exercised in full) and after deducting payment of the Underwriters' Fee of \$1,725,000, but before deducting expenses of the Offering, estimated to be approximately \$250,000.
- (4) 42,500 of such warrants are exercisable for 42,500 Common Shares at a price of \$1.50 until October 2, 2018; 95,000 of such warrants are exercisable for 95,000 Common Shares at a price of \$1.50 until November 5, 2018; 190,100 of such warrants are exercisable for 190,100 Common Shares at a price of \$1.50 until November 30, 2018; and 550,150 of such warrants are exercisable for 550,150 Common Shares at a price of \$1.50 until December 27, 2018.
- (5) Granted pursuant to the Company's stock option plan exercisable for 40,000 Common Shares at a price of \$3.00 per share until October 10, 2018; for 20,000 Common Shares at a price of \$3.00 per share until November 27/28, 2018; for 141,667 Common Shares at a price of \$0.30 per share until August 31, 2020; for 50,000 Common Shares at a price of \$0.30 per share until September 22, 2020; for 2,400,000 Common Shares at a price of \$0.65 per share until November 30, 2021; for 1,225,000 Common Shares at a price of \$1.00 per share until September 30, 2018; for 150,000 Common Shares at a price of \$1.00 per share until November 7, 2020; for 1,000,000 Common Shares at a price of \$2.50 per share until February 23, 2023; and for 625,000 Common Shares, at a price of \$1.07 per share until July 9, 2023.
- (6) As at May 3, 2018, Computershare Investor Services Inc. confirmed the remaining balance of the escrow agreement dated October 20, 2016 was 16,503,750 Common Shares held by six shareholders; and the remaining balance of shares subject to the escrow agreement dated March 31, 2017 was 1,350,000 Common Shares held by five shareholders. The remaining Common Shares will be released from escrow upon the first day of May and November of each year, until November 1, 2019. See the AIF.

There have been no material changes in the consolidated share and loan capital of the Company since May 31, 2018.

USE OF PROCEEDS

Proceeds

The net proceeds to the Company from the Offering (excluding any exercise of the Over-Allotment Option) are expected to be \$23,500,000 after deducting the payment of the Underwriters' Fee of \$1,500,000 payable to the Underwriters, but before deducting the expenses of the Offering (estimated to be approximately \$250,000).

The use of the net proceeds of the Offering by the Company is consistent with the Company's stated business objectives (see "*Business Objectives and Milestones*" below) and which the Company plans to allocate as follows during the twelve-month period following the Closing Date (see "*Forward-Looking Information*"):

Expenditure	Amount
General & Administrative Budget	\$1,500,000
Acquisition of the Kelowna Facility and expansion of its extraction and post-processing capacity at the facility ⁽¹⁾	\$10,000,000
Increase domestic extraction and post-processing capacity through geographic expansion ⁽²⁾	\$11,000,000
Estimated Offering Costs ⁽³⁾	\$250,000
Unallocated Funds Added to Working Capital	\$750,000
Total Expenditures⁽⁴⁾	\$23,500,000

Notes:

- (1) Management estimate subject to the completion of an independent appraisal and as agreed to by the parties. See "*Use of Proceeds - Business Objectives and Milestones*", below.
- (2) The expansion can be broken down into the following component elements, with the associated costs detailed in the *Use of Proceeds - Business Objectives and Milestones* section, below: (i) completion of domestic geographic expansion analysis and acquire facility in strategic location; (ii) completion of buildout of facility selected for geographic expansion; and (iii) acquisition of equipment for new facility selected for geographic expansion.
- (3) Estimate includes out of pocket expenses of the Underwriters, legal fees of each of the Company and the Underwriters, auditor fees of the Company, and filing and regulatory fees.
- (4) As at September 30, 2018, management estimates that the Company has approximately \$2,746,000 in working capital.

The estimated administration costs for the Company to achieve its stated business objectives over the next financial year following the completion of the Offering are an aggregate of \$1,500,000. An estimated breakdown of these costs are as follows:

	Estimated Cost
Executive Salaries	\$825,000
Office and Operating Costs	\$100,000
Travel	\$150,000
Legal and Audit Fees	\$200,000
Investor Relations	\$150,000
Transfer Agent and Regulatory Fees	\$75,000
General and Administrative Budget	\$1,500,000

Management of the Company estimates that the potential acquisition of the Kelowna Facility and expansion of its extraction and post-processing capacity at the facility will cost \$10,000,000, of which \$4,000,000 is the estimated cost of acquiring the building, currently owned by Northok. Northok is controlled by Mr. McGrath, a director of the Company. The acquisition cost of the Kelowna Facility would be subject to an independent appraisal and as agreed to by the parties. See "*Risk Factors*".

In the event that the Over-Allotment Option is exercised in full, the additional \$3,525,000 of the net proceeds will be allocated in such amounts as may be determined by management of the Company for potential future expansions or for unallocated working capital.

The Company currently intends to expend the net proceeds of the Offering in accordance with the tables above. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.

During the last financial year ended November 30, 2017 and the interim period ended May 31, 2018, the Company had negative operating cash flow because its revenues did not exceed its operating expenses. In addition, as a result of the Company's business plans for the development of its products and services, the Company expects cash flow from operations to be negative until all required licences are received and the Company can commence commercial production to generate revenue to offset its operating expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow. See "Risk Factors".

Business Objectives and Milestones

Using the net proceeds of the Offering as set out under "Use of Proceeds" above, the Company intends, over the next twelve months, to achieve the following milestones:

The Company continues to execute on its primary business objective of being the leading provider of extraction services and high-quality cannabis products to the domestic and international markets. The Company plans to acquire its Kelowna Facility, to secure a long-term home for the Company, along with the additional extraction and post processing equipment required to meet the initial demand for the Company's services. The Company further plans to complete a strategic review to identify and execute on geographic expansion opportunities that would allow it to capitalize on anticipated demand from key customers throughout the Canadian market. To achieve these business objectives the Company intends to bring on additional key management and operations personnel.

The following table sets out the steps that the Company intends to complete by the end of 2018 and over the next financial year in order to achieve the continued expansion of its products and services, and the anticipated expenditures required in order to complete such steps.

	Event	Timeframe	Estimated Cost (in millions)
1.	Acquisition of the Kelowna Facility ⁽¹⁾	December, 2018	\$4.0
2.	Acquisition of additional extraction and post-processing equipment at the Kelowna Facility to meet demand	November, 2018	\$6.0
3.	Complete domestic geographic expansion analysis and acquire facility in strategic location	June, 2019	\$4.0
4.	Complete buildout of facility selected for geographic expansion	October, 2019	\$2.0
5.	Acquire equipment for new facility selected for geographic expansion	October, 2019	\$5.0

Note:

- (1) Acquisition of the Kelowna Facility shall be subject to the completion of an independent appraisal and upon terms agreed to by the parties.

The Company plans to acquire the Kelowna Facility, which the Company has already invested over \$4.5M in leasehold improvements. Such acquisition shall be subject to the completion of an independent appraisal and subject to negotiation between the Company and Northok. The Kelowna Facility has a current capacity of 6,000 kg of cannabis per month. Upon the closing of the Offering, the Company intends to purchase additional extraction and post-processing equipment, to increase the capacity of the Kelowna Facility to over 20,000 kg of cannabis per month in order to meet the demand for the Company's services and expand its product offering.

The Company further plans to complete a strategic analysis to identify the optimal location to build out a second extraction and post-processing facility in Canada. Once the strategic analysis is complete, the Company will use the funds raised from the Offering to execute on the acquisition and build out of a facility and acquire the extraction and post processing equipment to ensure it is fully operational.

The estimated budget and timelines for the Company's domestic expansion plan was determined by the Company based on a review and assessment of the funds it has incurred to date in carrying out its business plan, with consideration given to the size of the domestic market, the development of the facilities required for the proposed expansion and the estimated costs of applying for the required licences. The estimated budget includes the Company's planned expansion of its management team to include the hiring of a Vice President of Sales, Vice President of Marketing, and Controller. Any such hires would be to assist the Company in its expansion plan and are not required in the maintenance of its current operations.

While the Company has not identified specific investment opportunities, other than those indicated above, the Company's Board and management team are aware that the Company's current capital is allocated to specific projects. The Board believes it is prudent to have access to additional capital for use, as previously unknown opportunities arise. The competitive nature of the Canadian cannabis industry is expected to only increase, following the enactment of the *Cannabis Act*, together with the relatively uncertain and potential diverse provincial regulatory regimes that may be implemented to regulate the adult use cannabis market. It will be important for the Company to be able to pursue previously unforeseen domestic and international opportunities. The Board is specifically contemplating the need to reserve funds for future investment in the following two main areas:

- a) as demand increases, the Company will be presented with attractive international investment opportunities outside of Canada and the United States and intends to explore the financial and regulatory possibilities of developing international relationships in those international jurisdictions where there are legal cannabis regimes; and
- b) the Company may need to make investments in specific provinces in Canada, as the provincial regulatory regimes continue to develop. While the Company would not expand to have a presence in each province, it would focus its funds where the demands in that province support the investment. However, currently there is insufficient information to know whether these potential investments will need to be made.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of up to 12,820,513 Units and up to 1,923,077 Option Units pursuant to the Offering.

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to sell to the Underwriters, and the Underwriters have agreed to purchase from the Company, as principal, a total of 12,820,513 Units at the Offering Price for total consideration of \$25,000,000 payable in cash to the Company against delivery of the Common Shares and Warrants making up the Units. In addition, the Company has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at any time and from time to time in the sole discretion of the Underwriters, for a period of thirty (30) days from the closing of the Offering, to purchase up to an additional 1,923,077 Option Units at the Offering Price, representing up to 15% of the Units to be issued pursuant to the Offering, to cover over-allocations, if any, and for market stabilization purposes. This Prospectus also qualifies the distribution of Option Units pursuant to the exercise of the Over-Allotment Option, and the grant of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Underwriters' over-allocation position acquires such Option Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In connection with the Offering, the Company has agreed to pay the Underwriters' Fee of \$0.117 per Unit for an aggregate fee of \$1,500,000 (\$1,725,000 if the Over-Allotment Option is exercised in full). The Offering Price was determined by arm's length negotiation between the Company and AltaCorp, on behalf of the Underwriters. As additional compensation, the Underwriters will be issued Broker Warrants entitling the Underwriters to purchase that number of Underwriters' Units equal to 6% of the number of Units sold pursuant to the Offering (including any exercise of the Over-Allotment Option). Each Broker Warrant entitles the holder to purchase one Underwriters' Unit at the Offering Price for a period of twenty-four (24) months from the date of issuance. This Prospectus qualifies the grant of the Broker Warrants to the Underwriters.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. The closing of the Offering is expected to occur on or about October 10, 2018, or such other date as the Company and the Underwriters may agree; however, the Units offered

pursuant to this Prospectus are to be taken up by the Underwriters, if at all, on or before a date that is not later than 42 days after the date of the receipt for the final short form prospectus.

Under the terms of the Underwriting Agreement, the obligations of the Underwriters may be terminated at the Underwriters' discretion upon the occurrence of certain stated events. Such events include, but are not limited to: (i) if there is a material change or a change in a material fact or new material fact, or there should be discovered any previously undisclosed material fact required to be disclosed in the Prospectus that has or would be expected to have, a material adverse change or effect on the business or affairs of the Company or its subsidiaries or on the market price or the value of the securities of the Company; (ii) if any proceeding is commenced, announced or threatened or any order made by any governmental department, the CSE or any securities regulatory authority or any law or regulation is enacted or changed that operates to prevent or materially restrict the trading of the company's securities or the market price or value of same; (iii) if there should develop any event or law that materially adversely affects the business, operations or affairs of the Company and its subsidiaries; (iv) if the Company is in breach of the Underwriting Agreement or any representation or warranty given by the Company in the Underwriting Agreement is or becomes false; or (v) if a cease trade or other suspension order affecting the securities of the Company is made or threatened and has not been withdrawn.

The Company has agreed to indemnify the Underwriters and its affiliates and each of their respective directors, officers, employees, shareholders, partners, advisors and agents against certain liabilities and expenses.

The Common Shares and Warrants comprising the Units will be issued as non-certificated securities registered in the name of CDS, and no certificates representing Common Shares or Warrants will be issued under this Offering, except in certain limited circumstances.

The Company's management, its board of directors and 1009368 BC Ltd. agree not to, commencing on September 21, 2018 and for a period of 120 days from the Closing Date, directly or indirectly, offer, sell, dispose of or otherwise monetize the economic value of any securities in the Company beneficially owned by such shareholder as of September 21, 2018, other than: (a) if the Company receives an offer, which has not been withdrawn, to enter into a transaction or arrangement, or proposed transaction or arrangement, pursuant to which, if entered into or completed substantially in accordance with its terms, a party could, directly or indirectly acquire an interest (including an economic interest) in, or become the holder of, 100% of the total number of common shares in the Company, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buyback, securities issue, reverse takeover, dual-listed corporate structure or other synthetic merger, transaction or arrangement; (b) in respect of sales to affiliates of such shareholder; and (c) as a result of the death of any individual shareholder, without the prior written consent of AltaCorp, such consent not to be unreasonably withheld. The definitive terms of such lock-up agreement shall be negotiated between the parties in good faith and contain customary provisions. The Company has agreed to use commercially reasonable efforts to enter into similar arrangements with certain other shareholders of the Company by the Closing Date. 1009368 B.C. Ltd. is a principal shareholder of the Company and Noreen Dale Spanell is the principal shareholder of 1009368 BC Ltd.

Evidence of ownership of the Common Shares and Warrants comprising the Units will be issued in non-certificated form to CDS or its nominee and will be deposited with CDS on the day of closing of the Offering. Except in certain limited circumstances, no certificates evidencing the Common Shares and Warrants comprising the Units will be issued, and registration will be made only through the depository services of CDS.

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price may be decreased. Any such reduction will not affect the proceeds received by the Company or the compensation paid to the Underwriters.

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

None of the Common Shares or Warrants comprising the Units have been or will be registered under the U.S. Securities Act or any state securities laws and, subject to registration under the U.S. Securities Act and applicable state securities laws or certain exemptions therefrom, may not be offered, sold, transferred, delivered or otherwise disposed of, directly or indirectly, within the United States. The Underwriters have agreed that, except as permitted under the Underwriting Agreement, it will not offer, sell, transfer, deliver or otherwise dispose of, directly or indirectly, the Units at any time within the United States, except pursuant to an exemption from registration under the U.S. Securities Act.

The Underwriting Agreement permits the Underwriters, acting through its registered United States broker-dealer affiliates, to offer and resell the Units in the United States to Qualified Institutional Buyers, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act, and in compliance with similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Units outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Units that are sold in the United States will be restricted securities within the meaning of Rule 144 of the U.S. Securities Act and may only be offered, sold or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act and similar exemptions under applicable state securities laws.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

This Prospectus qualifies the distribution of the Units, the grant of the Over-Allotment Option, the distribution of the Option Units (if any) and the grant of the Broker Warrants.

Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. As at September 20, 2018, there are 73,113,129 Common Shares issued and outstanding.

Common Shares

All of the Common Shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No Common Shares have been issued subject to call or assessment.

The Common Shares contain no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a securityholder to contribute additional capital.

Warrants

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

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

Each Warrant issued pursuant to the Offering will entitle the holder thereof to purchase one Common Share at a price of \$2.54 per Common Share at any time on or before 5:00 p.m. (Toronto time) on the date that is twenty-four (24) months following the Closing Date. In the event that the volume weighted average trading price of the Common Shares for ten consecutive trading days on the CSE exceeds \$3.81, the Company shall have the right to accelerate the expiry date of the Warrants upon not less than fifteen trading days' notice.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including: (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution or a distribution of Common Shares, upon the exercise of Warrants or pursuant to the exercise of stock options granted under the stock option plan of the Company; (ii) the subdivision, redivision or change of the outstanding Common Shares into a greater number of Common Shares; (iii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of shares; (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable or exercisable for or convertible into Common Shares, at a price per share to the holder (or at an exchange, exercise or conversion price per share) of less than 95% of the "current market price" (as defined in the Warrant Indenture), for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of (a) shares of any class other than the Common Shares; (b) rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares; (c) evidences of indebtedness; or (d) any property or other assets. The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares or a capital reorganization other than as described above; or (ii) consolidations, amalgamations, plan of arrangements, mergers or other business combination 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 outstanding Common Shares or a change of the Common Shares into other shares).

The Company will also covenant under 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 pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Company and the Warrant Agent, may be able to amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (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 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66.67% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66.67% of the aggregate number of all the then outstanding Warrants.

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

The Warrants will only be exercisable (i) in the United States by the original purchaser of the Units who is a Qualified Institutional Buyer exercising the Warrants for its own account or the account of a Qualified Institutional Buyer over

which it exercises sole investment discretion; or (ii) by a holder that is not in the United States, is not a U.S. Person and is not exercising the Warrants for the account or benefit of a U.S. Person or a person in the United States, was not offered and did not acquire the Warrants in the United States, and did not execute or deliver the notice of exercise in the United States.

The foregoing discussion of the material terms and provisions of the Warrants is qualified in its entirety by reference to the detailed provisions of the Warrant Indenture.

Broker Warrants

For their services in connection with the Offering, the Underwriters will receive non-transferrable Broker Warrants to purchase an aggregate of 769,231 Units (884,615 in the event the Over-Allotment Option is exercised in full). Each Broker Warrant entitles the holder of the Broker Warrant to acquire one Underwriters' Unit comprised of one Underwriters' Unit Share and one half Underwriters' Unit Warrant at an exercise price equal to the Offering Price for a period of twenty-four (24) months from the Closing Date, pursuant to the terms of the broker warrant certificates (the "**Broker Warrant Certificates**"). Each Underwriters' Unit Warrant will entitle the holder to purchase one Broker Share at an exercise price of \$2.54. The Broker Warrants shall have a term of twenty-four (24) months from the Closing Date. The terms set out on the Broker Warrant Certificates will include, among other things, customary provisions for the appropriate adjustment of the number of Common Shares issuable pursuant to any exercise of the Broker Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, any capital reorganization of the Company, or any merger, consolidation or amalgamation of the Company with another corporation or entity, as well as customary amendment provisions. The Underwriters, as holders of the Broker Warrants, will not as such have any voting right or other right attached to Common Shares until and unless the Broker Warrants and the Underwriters' Unit Warrants are duly exercised as provided for in the certificates representing the Broker Warrants.

PRIOR SALES

The following table summarizes details of all issuances of Common Shares, or securities convertible or exchangeable into Common Shares, during the 12-month period prior to the date of this Prospectus.

Date of Issuance	Security	Issue/Exercise Price per Security (\$)	Number of Securities
September 25, 2017	Common Shares ⁽¹⁾	\$0.75	622,221
October 3, 2017	Common Shares	\$1.00	85,000
October 19, 2017	Common Shares	\$1.00	30,000
October 23, 2017	Common Shares ⁽¹⁾	\$0.75	322,221
November 6, 2017	Common Shares	\$1.00	207,500
November 30, 2017	Common Shares	\$1.00	530,200
January 9, 2018	Common Shares	\$1.00	1,287,300
January 12, 2018	Common Shares ⁽¹⁾	\$1.15	520,655
February 5, 2018	Common Shares	\$1.40	1,997,536
February 9, 2018	Common Shares	\$1.40	6,920,079
March 20, 2018	Common Shares ⁽¹⁾	\$1.50	5,000
March 29, 2018	Common Shares	\$1.78	73,000
April 5, 2018	Common Shares ⁽¹⁾	\$1.50	7,500
May 1, 2018	Common Shares ⁽¹⁾	\$1.50	8,750
July 31, 2018	Common Shares	\$1.38	270,000
September 5, 2018	Common Shares ⁽²⁾	\$1.00	400,000
September 12, 2018	Common Shares ⁽¹⁾	\$1.50	156,000
November 7, 2017	Stock Options	\$1.00	150,000 ⁽³⁾
February 23, 2018	Stock Options	\$2.50	1,000,000 ⁽⁴⁾
August 3, 2018	Stock Options	\$1.07	625,000 ⁽⁵⁾

Note:

- (1) Issued upon exercise of Warrants.
- (2) Issued upon exercise of Stock Options.
- (3) The stock options are exercisable at a price of \$1.00 per share until November 7, 2020.

- (4) The stock options are exercisable at a price of \$2.50 per share until February 23, 2023.
(5) The stock options are exercisable at a price of \$1.07 per share until July 9, 2023.

TRADING PRICE AND VOLUME

Common Shares

The Common Shares are listed for trading on the CSE under the trading symbol “VGW”. The following table sets out the high and low closing market prices and the volume traded of the Common Shares on the CSE since September, 2017:

Month	HIGH (\$)	LOW (\$)	VOLUME
17-Sep	\$1.14	\$0.76	245,155
17-Oct	\$1.19	\$0.96	694,873
17-Nov	\$1.18	\$0.92	736,626
17-Dec	\$3.20	\$0.98	5,068,674
18-Jan	\$2.92	\$1.94	2,727,653
18-Feb	\$2.79	\$2.00	1,478,975
18-Mar	\$2.26	\$1.78	982,252
18-Apr	\$2.10	\$1.33	827,566
18-May	\$1.47	\$1.23	1,082,965
18-Jun	\$1.33	\$1.15	2,504,641
18-Jul	\$1.20	\$1.01	1,385,792
18-Aug	\$1.40	\$1.04	4,186,009
18-Sep	\$3.05	\$1.45	23,681,538

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Irwin Lowy LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriters, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a purchaser who acquires Units, consisting of Common Shares and Warrants, pursuant to this Offering. For purposes of this summary, references to Common Shares include Common Shares and Warrant Shares unless otherwise indicated. This summary applies only to a purchaser who, for the purposes of the Tax Act and at all relevant times: (i) is, or is deemed to be, resident in Canada; (ii) deals at arm’s length and is not affiliated with the Company or the Underwriters; and (iii) holds any Common Shares and Warrants as capital property. Purchasers meeting such requirements are referred to as a “**Holder**” or “**Holders**” herein, and this summary only addresses such Holders.

Common Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Purchasers who are residents of Canada for purposes of the Tax Act and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares, and every other “Canadian security” (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Purchasers whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Warrants.

This summary is not applicable to a Holder (i) that is a “financial institution” for the purpose of the mark-to-market rules; (ii) that is a “specified financial institution”; (iii) an interest in which would be a “tax shelter investment”; (iv) that has made an election to determine its Canadian tax results in a foreign currency; or (v) that enters into, with respect to their Common Shares or Warrants, a “derivative forward agreement”, all within the meaning of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

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

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

Allocation of 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 Common Share and half Warrant comprising each Unit in order to determine their respective costs to such Holder for the purposes of the Tax Act.

The Corporation has allocated \$1.83 of the Offering Price of each Unit as consideration for the issue of each Common Share and \$0.12 for each half Warrant forming part of such Unit. This summary assumes that such allocations represent the fair market value of each security. Such allocations are not binding on the CRA or the Holder and counsel expresses no opinion with respect to such allocations.

The adjusted cost base to a Holder of each Common Share comprising a part of a Unit acquired pursuant to this Offering will be determined by averaging the cost of such Common 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 or Expiry of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder’s cost of the Warrant Share acquired thereby will be the aggregate of the Holder’s adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder’s adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading “Taxation of Capital Gains and Capital Losses”.

Dispositions of Common Shares and Warrants

Upon a disposition or deemed disposition of a Common Share or a Warrant (other than on the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading “Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

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

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

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

Dividends

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

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

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

Alternative Minimum Tax

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

RISK FACTORS

A prospective purchaser of Units should carefully consider the risk factors set out below or contained elsewhere in this Prospectus, along with the risk factors described in the documents incorporated by reference in this Prospectus, including in the Annual MD&A and the Interim MD&A and the risk factors described under the heading "Risk Factors" in the AIF. Other than as described below including the risks relating to the Offering, there has been no significant change in the Company's risk factors from those described in the Annual MD&A, the Interim MD&A and the AIF.

The risks presented in this Prospectus may not be all of the risks that the Company may face, although they are management's current reasonable assessment of the risk factors that may cause actual results to be different from expected and historical results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

Risks Related to the Offering

Dilution

While the net proceeds of the Offering are expected to enhance the Company's liquidity, to the extent that a portion of the net proceeds of the Offering remain as cash, the Offering may dilute the interest of holders of Common Shares. In the future, the Company may raise funds through the sale of additional Common Shares or securities convertible or exchangeable into or exercisable for Common Shares. Any such issuances may dilute the interests of the then-current holders of Common Shares and may have a negative impact on the market price of the Common Shares, including the Units.

Proceeds of the Offering

The Company intends to use the net proceeds in the manner discussed in the "*Use of Proceeds*," however, the Company's management will have broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures and there can be no assurance as to how funds will be allocated, especially if the Company determines to revise its business plan or growth strategy. Further, the purchase price of the Kelowna Facility will be subject to an independent appraisal, which may be more or less than management estimates. Additional funds may be required. The failure of the Company to apply these funds effectively could negatively impact the success of the Company's business.

No Market for Warrants

There is currently no market through which the Warrants may be sold. The Company will give notice to list the Warrants, but such listing may not occur. Accordingly, the purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Warrants.

Volatile Market Price of the Common Shares

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

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

Risks Related to the Company's Business

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. The Company cannot predict the time required to secure all appropriate regulatory approvals and

licences for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. New risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Furthermore, although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to research, possess, produce, sell, transport and deliver products including, but not limited to, cannabis, cannabis resin, tetrahydrocannabinol and other cannabis-related products. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of cannabis and cannabis-related products, or more stringent implementation thereof could have a substantial adverse impact on the Company.

Involvement in the United States Cannabis Market

The Company has an ancillary involvement in the medical and adult-use marijuana industry in the United States where local state law permits such activities. Outlined below is a summary of certain risks that the Board has identified as being appropriate to highlight to investors at this time. These risks will continue to be considered, evaluated, reassessed, monitored and analyzed on an on-going basis and will be supplemented, amended and communicated to investors as necessary or advisable in the Company's future public disclosure.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. The inconsistency between federal and state laws and regulations is a major risk factor. As a result of the Sessions Memorandum, federal prosecutors are free to utilize their prosecutorial discretion to decide whether to prosecute cannabis-related activities despite the legality of these activities at the state-level. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis-related businesses that are otherwise compliant with state law.

U.S. federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions. Now that the Cole Memorandum has been rescinded, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its board of directors and its shareholders "aided and abetted" violations of federal law by providing finances and services to MKHS and Tarukino.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on the CSE or other applicable exchanges, its financial position, operating results, profitability or liquidity or the market price of the Common Shares.

United States Border Crossing and Travel Ban

Investors in the Company and the Company's directors and officers may be subject to travel and entry bans into the United States. Recent media articles have reported that certain Canadian citizens have been rejected for entry into the United States, due to their involvement in the marijuana sector. In at least one widely reported incident, an investor in companies operating in the marijuana sector in states where it is legal to do so, received a lifetime ban.

The majority of persons travelling across the Canadian and U.S. border do so without incident, whereas some persons are simply barred entry one time. The U. S. Department of State and the Department of Homeland Security has indicated that the United States has not changed its admission requirements in response to the pending legalization in Canada of recreational cannabis, but anecdotal evidence indicates that the United States may be increasing its scrutiny of travelers and their cannabis related involvement.

Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry, including in U.S. states where it is deemed legal, according to United States Customs and Border Protection. Additionally, legal experts have indicated that the criteria are applied broadly such that a determination that the act of investing, working or collaborating with a U.S. cannabis company may be considered trafficking illegal drugs or aiding, abetting, assisting, conspiring or colluding in its trafficking. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Fluctuations in Exchange Rates

Fluctuations in exchange rates could affect the Company's expenses or result in losses. Royalty payments under the License Agreement between the Company and Tarukino are set in U.S. dollars; however, the Company's revenues and expenses will be denominated in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar could impact the Company's expenses and have an adverse effect on the financial performance and condition of the Company.

Negative Operating Cash Flow

During each of the financial year ended November 30, 2017 and the interim period ended May 31, 2018, the Company had negative operating cash flow because its operating expenses exceeded its revenue. In addition, as a result of the Company's business plans for the development of its services, the Company expects cash flow from operations to be negative until all required Health Canada licences are received and the Company can commence commercial production to generate revenue to offset its operating expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services.

DEPOSITORY SERVICES

Except in certain limited circumstances: (i) the Common Shares and Warrants will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Common Shares and Warrants will not be issued to purchasers; and (iii) purchasers of Common Shares and Warrants will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Common Shares and Warrants are purchased. Holders of Common Shares and Warrants who are not issued a certificate evidencing the Common Shares or Warrants are entitled under the *Business Corporations Act* (British Columbia) to request that a certificate be issued in their name. Such a request will need to be made through the CDS participant through whom the beneficial interest in the securities are held at the time of the request. The ability of a beneficial owner of Common Shares and Warrants to pledge such securities or otherwise take action with respect to such owner's interest in such securities (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the Company nor the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Common Shares and Warrants held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Common Shares and Warrants; or (iii) any advice or representation made by or with respect to CDS and those contained in this Prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and persons, other than CDS participants, having an interest in the Common Shares and Warrants must look solely to CDS participants for payments made by or on behalf of the Company to CDS in respect of the Common Shares and Warrants.

INTEREST OF EXPERTS

The following persons or companies whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company are named in this Prospectus as having prepared or certified a report, valuation, statement or opinion in this Prospectus.

Irwin Lowy LLP, counsel for the Company, and Borden Ladner Gervais LLP, counsel for the Underwriters, may pass upon on certain legal matters related to the Offering. As of the date hereof, partners and associates of Irwin Lowy LLP and Borden Ladner Gervais LLP, each as a group, own, directly or indirectly, in the aggregate, less than 1% of the securities of the Company.

The auditor of the Company, Davidson & Company LLP, Chartered Professional Accountants, has informed the Company that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of Chartered Professional Accountants of British Columbia.

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 of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision 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, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In an offering of Warrants, 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 advisor.

CERTIFICATE OF THE COMPANY

Dated: October 3, 2018

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

Signed: Tyler Robson
Chief Executive Officer

Signed: Chris Buysen
Chief Financial Officer

On behalf of the Board of Directors

Signed: Chris Irwin
Director

Signed: Nitin Kaushal
Director

CERTIFICATE OF THE UNDERWRITER

Dated: October 3, 2018

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

Signed: Jeff Fallows
Managing Director
AltaCorp Capital Inc.

Signed: Jeff Reymmer
Managing Director
Mackie Research Capital Corp.

Signed: Stephen J. A. Delaney
Managing Director
Beacon Securities Limited.