DIXIE BRANDS INC.

LISTING STATEMENT

FORM 2A

November 23, 2018

Dixie Brands, Inc., (referred to below as USA Inc.) is a Delaware Corporation and derives revenues substantially from the cannabis industry in certain states of the United States, which industry is illegal under U. S. federal law. USA Inc. is indirectly involved (through its subsidiaries and licensees) in the cannabis and hemp oil industry in the U. S. where local state laws permit such activities. Currently, its subsidiaries and licensees are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and hemp oil in the recreational and medicinal cannabis market in the states of California, Colorado, Maryland and Nevada.

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

In the U.S., marijuana is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act. Although certain states authorize, medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the U.S., including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdiction. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis, there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the business of USA Inc., results of operations, financial condition and prospects would be materially adversely affected. See *item 17 of this Listing Statement – "Risk Factors"* for additional information.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issues with U.S. with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

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Cautionary Note Regarding Forward-Looking Statements

The information provided in this Listing Statement, including information incorporated by reference, may contain "forward- looking information" and "forward- looking statements" about the successor corporation to Academy Explorations Limited, (the "**Resulting Issuer**"), which will be the resulting issuer following the transactions described below. In addition, the Resulting Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Resulting Issuer that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Resulting Issuer (or its predecessors) that address activities, events or developments that the Resulting Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the current expectations of Dixie Brands, Inc. ("**USA Inc.**") and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia and New Zealand;
- the ability of the Resulting Issuer to obtain meaningful consumer acceptance and a successful market for its Products on a national and international basis at competitive prices;
- the ability of the Resulting Issuer to develop and maintain an effective sales network;
- success of the Resulting Issuer in forecasting demand for its Products or services;
- the ability of the Resulting Issuer to maintain pricing and thereby maintain adequate profit margins;
- the ability of the Resulting Issuer to achieve adequate intellectual property protection;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- other risks described in this Listing Statement under the heading *"Risk Factors"* and described from time to time in documents filed by the Resulting Issuer with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) there will be no material adverse competitive or technological change in condition of the Resulting Issuer's business; (ii) there will be a demand for the Resulting Issuer's Products that the Resulting Issuer accurately forecast; and (iii) there will be no material adverse change in the Resulting Issuer's operations, business or governmental regulation affecting the Resulting Issuer or its suppliers.

With respect to the forward-looking statements contained herein, although USA Inc. believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to additional funding requirements; due diligence risks; exchange rate risks; risks relating to non-controlling interests in certain underlying businesses; potential conflicts of interest and potential transaction and legal risks, as more particularly described under the heading *"Risk Factors"* in this Listing Statement.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the USA Inc. and the Resulting Issuer are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Resulting Issuer. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Resulting Issuer and/or Persons acting on the Resulting Issuer's behalf may issue. The Resulting Issuer undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Note Regarding Market and Industry Data

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

Currency

Unless otherwise indicated, all references to "US$" in this Listing Statement refer to United States dollars and all references to "C$" in this Listing Statement refer to Canadian dollars.

Definitions

The following is a glossary of certain general terms used in this Listing Statement. Terms and abbreviations used in the financial statements included in, or appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**Academy**" means Academy Explorations Limited, a corporation incorporated under the laws of Ontario, prior to the Amalgamation and the Name Change;

"**Academy Shares**" means the common shares of Academy, prior to the Amalgamation.

"**Academy's Board of Directors**" the board of directors of Academy as constituted prior to the Amalgamation.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below. A corporation is an "**Affiliate**" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

"**Amalco**" means Dixie Brands Acquisition Inc., a wholly-owned subsidiary of Academy incorporated under the laws of Delaware for the purpose of carrying out the Amalgamation.

"**Amalgamation Agreement**" means the definitive agreement to be entered into between Academy, Amalco, and USA Inc. in respect of the Amalgamation.

"**Amalgamation Effective Date**" means the date on which the Amalgamation occurs which is expected to be November 27, 2018.

"**Amalgamation**" means the three-cornered amalgamation and securities exchange among Academy, Amalco and USA Inc. pursuant to which Amalco and USA Inc. will merge to form OpCo under the name "Dixie Brands (USA) Inc." and USA Securities will be exchanged for securities of the Resulting Issuer.

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or

(d) in the case of a Person who is an individual:

  (i) that Person's spouse or child, or

  (ii) any relative of the Person or of his spouse who has the same residence as that Person.

"**AUMA**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**Auxly**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business"*.

"**Bank Reporting Act**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**BCC**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**Canadian Exchange Offer**" refers to the offer by Academy to each Canadian USA Inc. Shareholder to purchase each USA Share held by such Canadian USA Inc. Shareholder in exchange for 10.535 fully paid and non-assessable Academy Shares.

"**Canadian USA Inc. Shareholder**" refers to each holder of USA Shares who is (i) a resident of Canada for the purposes of the ITA or (ii) a partnership, at least one partner of which is a resident of Canada for the purposes of the *Tax Act* (Canadian).

"**CBD**" has the meaning set out in item 3.3 – *"General Development of the Business – Trends, Commitments, Events or Uncertainties."*

"**CDS**" has the meaning set out in item 17 – *"Risk Factors"*.

"**Coattail Agreement**" has the meaning as set out in item 10 – "*Description of the Securities*."

"**Consolidation**" means the consolidation of all of the issued and outstanding Academy Shares on the basis of one (1) new Academy share for every four (4) issued and outstanding Academy Shares.

"**Control**" A corporation is "**controlled**" by a Person if:

(a) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation.

A Person beneficially owns securities that are beneficially owned by:

(a) a corporation controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**CSA**" means the United States Controlled Substances Act (21 U.S.C § 811).

"**CSE**" means the Canadian Securities Exchange.

"**CSE Approval**" means the final approval of the CSE in respect of the listing of the Resulting Issuer's SVS on the CSE following completion of the Amalgamation, as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof.

"**CSE Policies**" means the rules and policies of the CSE in effect as of the date hereof.

"**CUA**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**Curio**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business"*.

"**Cypress**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business"*.

"**DBFN**" has the meaning set out in item 3.1 - *"General Development of the Business"*.

"**DBPN**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business"*.

"**Dixie IP**" has the meaning set out in item 3.1 - *"General Development of the Business"*.

"**Edible**" has the meaning set out in item 4 - *"Narrative Description of the Resulting Issuer's Business"*.

"**FDA**" means the United States Federal Drug Administration.

"**FinCEN**" has the meaning set out in item 17 – *"Risk Factors"*.

"**Indus**" has the meaning as set out in item 4 - *"Narrative Description of the Resulting Issuer's Business"*.

"**Internal Revenue Code**" means U.S. Title 26 – *Internal Revenue Code* (I.R.C. § 61 (2006))

"**Incentive Plan**" has the meaning as set out in item 9 – *"Options to Purchase Securities"*.

"**IRS**" means the Internal Revenue Service, the U.S. tax collection agency which administers the Internal Revenue Code enacted by the U.S. Congress.

"**ITA**" means the *Income Tax Act* (Canada) including all regulations promulgated thereunder, as may be amended from time to time.

"**Listing Statement**" means this Canadian Securities Exchange Form 2A Listing Statement of the Resulting Issuer, including the schedules hereto.

"**Management HoldCo**" means Dixie Brands SPV, LLC, a Colorado limited liability company representing the interests of management and senior employees of USA Inc.

"**Management Options**" means the 500,000 options to purchase USA Shares at a price of US$20.00 granted to management and certain employees of USA Inc. that will be exchanged for NPV Shares.

"**MAUCRSA**" has the meaning as set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**MCRSA**" has the meaning as set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**Meeting**" has the meaning as set out in item 3.1 – *"General Development of the Business – Amalgamation"*.

"**METRC**" has the meaning as set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**Name Change**" means the change of Academy's name from "Academy Explorations Limited" to "Dixie Brands Inc."

"**NEO**" means a Named Executive Officer as such term is defined in Form 51-102F6 – *Statement of Executive Compensation* under National Instrument 51-102 – *Continuous Disclosure.*

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings* promulgated by the Canadian Securities Administrators.

"**NPV Shares**" means the 500,000 non-participating voting shares of the Resulting Issuer entitling each holder thereof to 100 votes at any meeting of the shareholders of the Resulting Issuer.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**OpCo**" means the resulting corporation from the merger of Amalco and USA Inc. to be named "Dixie Brands (USA), Inc.", organized under the laws of Delaware, which will be a wholly-owned operating subsidiary of the Resulting Issuer.

"**Operating Companies**" means a manufacturing or distribution company, that is licensed within its territory to manufacture or produce cannabis related Products, that has entered into a license agreement with OpCo.

"**Options**" means the outstanding options issued by the Resulting Issuer subsequent to the Amalgamation.

"**Person**" means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

"**Principal**" means a person or company who beneficially owns or exercises control or direction over more than 10% of the issued and outstanding securities of any class of voting securities of equity securities of USA Inc. or the Resulting Issuer, as the case may be.

"**Products**" means hemp-based, cannabinoid and THC-infused products.

"**Qualified Financing**" means a financing where USA Inc. raises US$12 million or more in working capital from and after April 1, 2018, through the issuance of USA Shares or convertible promissory notes to accredited investors based upon a pre-money valuation of USA Inc. of US$60 million or more.

"**Related Person**" has the meaning attributed to it in the CSE Policies.

"**Resulting Issuer**" means Academy as the resulting issuer subsequent to the Amalgamation upon changing its name to "Dixie Brands Inc."

"**Resulting Issuer's Board of Directors**" means the board of directors of the Resulting Issuer subsequent to the Amalgamation.

"**RTO**" means a reverse takeover transaction.

"**Section 280E**" has the meaning set out in item 17 – *"Risk Factors"*.

"**seed-to-sale**" has the meaning as set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment"*.

"**Series B Financing**" has the meaning set out in item 3.1 – *"General Development of the Business – Recent Financings"*.

"**Series C Financing**" has the meaning set out in item 3.1 – *"General Development of the Business – Recent Financings"*.

"**Series C Warrants**" has the meaning set out in item 3.1 – *"General Development of the Business – Recent Financings"*.

"**Shareholders**" means shareholders of the Academy prior to the Amalgamation and the shareholders of the Resulting Issuer subsequent to the Amalgamation, as the context requires.

"**SVS**" means the issued and outstanding subordinate voting shares in the capital of the Resulting Issuer subsequent to the Amalgamation.

"**THC**" means Tetrahydrocannabinol, one of the 113 cannabinoids identified in cannabis and its principal psychoactive constituent.

"**T&T**" has the meaning as set out in item 4 - *"Narrative Description of the Resulting Issuer's Business- U.S. Regulatory Environment - California"*.

"**USA Inc**." means Dixie Brands, Inc., a corporation formed under the laws of Delaware, predecessor to OpCo.

"**USA Preferred Stock**" means the 1,300,000 shares of preferred stock authorized for issue by USA Inc. of which 1,090,245 shares were issued and outstanding prior to the Series C Financing.

"**USA Shareholders**" means the holders of USA Shares.

"**USA Shares**" means the issued and outstanding common stock in the capital of USA Inc.

"**USA Options**" means the options issued and outstanding in the capital of USA Inc.

"**USA Securities**" means USA Shares, USA Options and Series C Warrants.

"**USA Units**" has the meaning set out in item 3.1 – *"General Development of the Business – Recent Financings"*.

"**USA Warrants**" means the 3,340,764 outstanding common stock purchase warrants to acquire USA Shares at between US$0.92 to US$15.00 per share and the Series C Warrants.

"**Warrants**" mean the common share purchase warrants of the Resulting Issuer subsequent to the Amalgamation to acquire SVS at economically equivalent terms as the USA Warrants permitted holders thereof to acquire USA Shares.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

This Form 2A has been prepared with respect to USA Inc. a corporation formed under the laws of Delaware and Academy, a corporation incorporated under the OBCA, which will change its name to Dixie Brands Inc., concurrently with the RTO and continue as the Resulting Issuer subsequent to the Amalgamation in connection with the listing of its SVS for trading on the CSE.

Both the head office and registered office of Academy is located at 557 Melita Crescent, Toronto, Ontario M6G 3Y7.

The head office of the Resulting Issuer will be located at 4990 Oakland Street, Denver, Colorado 80239 and the registered office will be located at 3400 One First Canadian Place, Toronto, Ontario M5X 1B4. Academy is, and the Resulting Issuer will be, a reporting issuer in the Province of Ontario.

The registered head office of USA Inc. is 9 E Loockerman Street, Suite 31, the City of Dover, County of Kent, Delaware 19901. The name of the registered agent of USA Inc. is Registered Agent Solutions, Inc.

2.2 Jurisdiction of Incorporation

Academy was registered and incorporated under the *Business Corporations Act* (Ontario) under the name Boeing Holdings & Explorations Limited on July 20, 1970, following an amalgamation between Artex Holdings & Explorations Limited and Boeing Holdings & Explorations Limited. On January 6, 1972, the company changed its name to Consolidated Boeing Holdings & Explorations Limited and on April 10, 1980, the name was changed again to "Academy Explorations Limited". On January 2, 1990, Academy amended its articles to create unlimited number of common shares and an unlimited number of special shares issuable in series. Academy also set the number of directors at that time to a minimum of three and a maximum of nine.

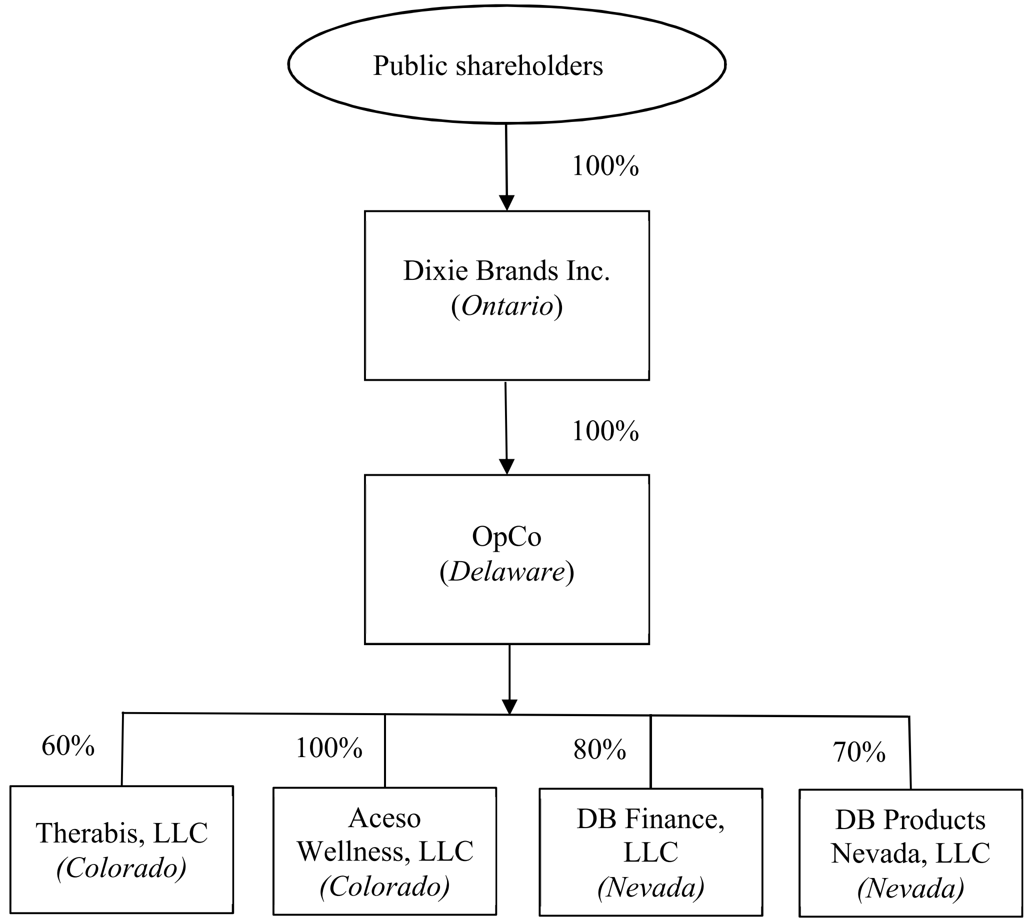
USA Inc. was organized as a Delaware corporation on May 5, 2014, and commenced operations soon thereafter under the name Dixie Brands, Inc. The Certificate of Incorporation of USA Inc. was amended and restated on March 28, 2018 to, among other things, provide for the USA Preferred Stock.

2.3 Inter-corporate Relationships

USA Inc. was incorporated under the laws of Delaware and is an arm's length party to Academy. It has four subsidiaries: (i) Therabis, LLC (60% ownership); (ii) Aceso Wellness, LLC (100% ownership); (iii) DB Finance, LLC (80% ownership) and (iv) DB Products Nevada, LLC (70% ownership).

Amalco will be the sole wholly-owned subsidiary of Academy incorporated under the laws of Delaware for the sole purpose of completing the Amalgamation.

Subsequent to the Amalgamation, OpCo will be a wholly-owned subsidiary of the Resulting Issuer. Other than OpCo and, indirectly the current subsidiaries of USA Inc., the Resulting Issuer will have no other subsidiaries. The organizational chart below sets out the corporate structure of the Resulting Issuer including its subsidiaries, their respective jurisdictions of incorporation, and the percentage of voting rights held immediately subsequent to the Amalgamation.

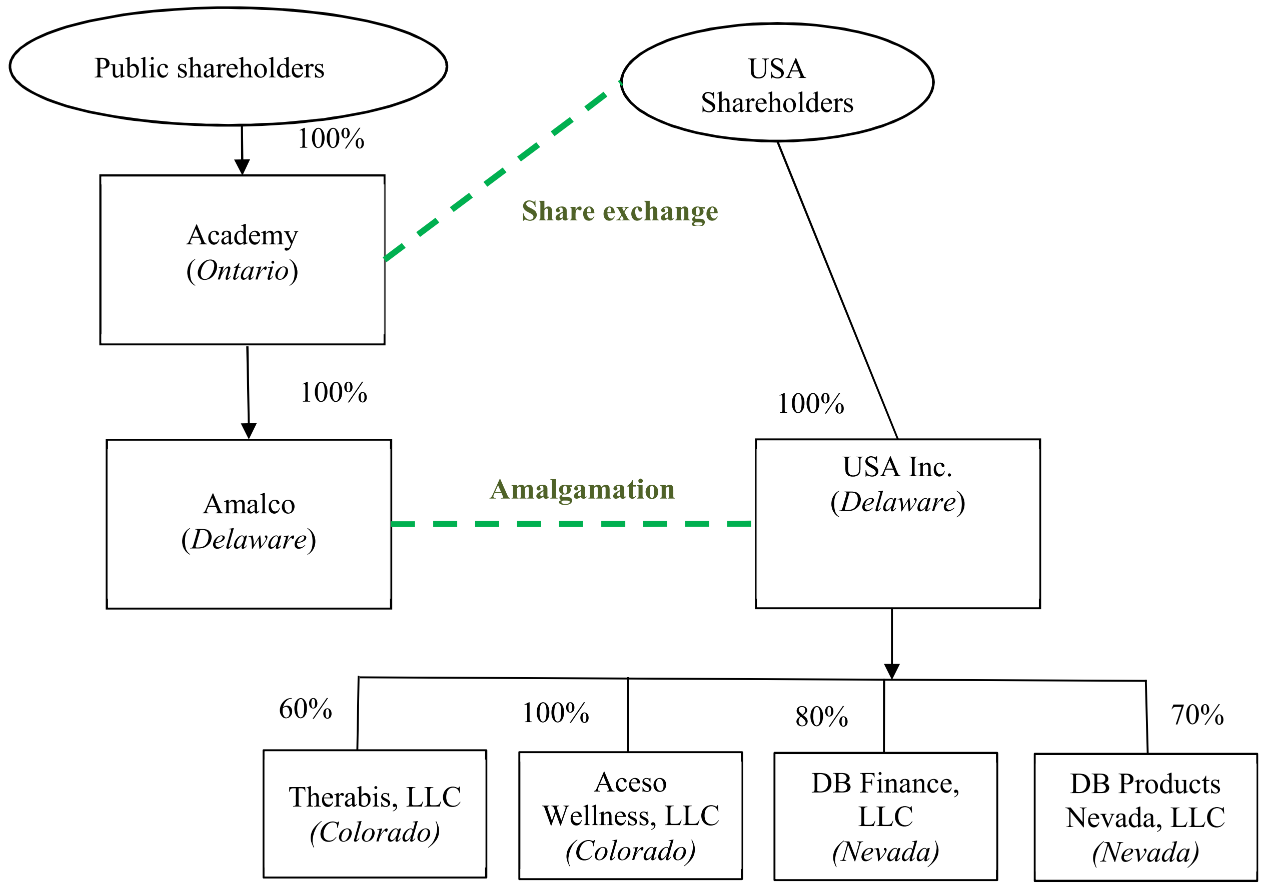


2.4 <u>Fundamental Change</u>

Please refer to item 3.1 – *"General Development of the Business"*. On the Amalgamation Effective Date, Amalco, the wholly-owned subsidiary of Academy will merge with USA Inc. to form OpCo. OpCo will continue as the wholly owned subsidiary of the Resulting Issuer. Academy will then change its name to "Dixie Brands Inc."

Each Canadian USA Inc. Shareholder will be given the opportunity to sell (effective immediately prior to the Amalgamation) all of such holder's USA Shares to Academy in exchange for SVS. Thereafter all remaining outstanding USA Shares will be exchanged on the basis of 1 USA Share for 10.535 SVS of the Resulting Issuer, concurrently with the merger of the two U.S. entities. No fractional shares shall be issued pursuant to the Amalgamation and exchange.

All outstanding USA Warrants will be exchanged for Warrants of the Resulting Issuer with the equivalent economic value and termination date and thereafter cancelled, on the basis of a warrant to purchase one USA Share shall thereafter entitle the holder to purchase 10.535 SVS, each at 1/10.535 the previous exercise price. All outstanding USA Options will be exchanged for Options of the Resulting Issuer with the same economic value and termination date and thereafter cancelled on the basis of an option to purchase one USA Share shall thereafter entitle the holder to purchase 10.535 SVS each at 1/10.535 the previous exercise price. All Management Options will be exchanged for NVP Shares of the Resulting Issuer on a one for one basis and thereafter cancelled.



2.5 Non-corporate Issuers and Issuers incorporated outside of Canada

Not applicable.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

USA Inc.

USA Inc. was organized as a Delaware corporation on May 5, 2014 to serve as a branding and marketing company that licenses certain technology and Product names used in or related to THC-based Products, by and through various brands including "DIXIE ELIXIRS & EDIBLES", as well as full spectrum hemp oil derived human and animal dietary supplements through the brands "ACESO WELLNESS" and "THERABIS", respectively.

The intellectual property, including the DIXIE™ trademarks, recipes, processes, trade secrets and goodwill associated therewith (the "**Dixie IP**"), is exclusively and directly owned by USA Inc.

USA Inc. through its Affiliates across the country, has been formulating and producing THC and CBD-infused Products since 2009. Since its inception, USA Inc. has entered into Affiliate relationships with local manufacturers in various states throughout its expansion. The responsibilities of each Affiliate partner include sourcing and extraction of cannabis oil, manufacturing, sales, and distribution of the Dixie Brands Product portfolio.

Colorado

- Affiliate: Left Bank
- Partnership formed: 2009
- Market: Dixie Brands - Medical and Adult use

California

- Affiliate: Indus Holding, Co
- Partnership formed: 2015
- Market: Dixie Brands - Medical and Adult use

Nevada

- Affiliate: Silverstate Wellness
- Partnership formed: 2016
- Market: Dixie Brands - Medical and Adult use

Maryland

- Affiliate: Curio Wellness
- Partnership formed: 2017
- Market: Dixie Brands - Medical

Canada

- Affiliate: Auxly
- Partnership formed: 2018

Mexico

- Affiliate: Auxly
- Partnership formed: 2018

New Zealand

- Affiliate: Therabis New Zealand
- Partnership formed: 2015

Australia

- Affiliate: Therabis Australia
- Partnership formed: 2015

The Resulting Issuer, through OpCo, plans to expand the DIXIE™ brand and line of Products into U.S. states where medical and recreational marijuana is legal by contracting with local state license holders in those states to produce and distribute DIXIE™ brand Products. Active negotiations are ongoing in Florida, Massachusetts, Oregon, Pennsylvania, Arkansas and Michigan and definitive license agreements with businesses in these states are expected to be completed by last quarter of 2018. OpCo typically will be paid an initial production and service fee as well as monthly branding fees, negotiated on a state-by-state basis, for each unit sold or a derivative thereof. The Resulting Issuer may, through OpCo, also enter into financial transactions to support licensees or affiliated manufacturing companies in order to promote, support, and develop sales and distribution of DIXIE™ Products. The Resulting Issuer may invest, though OpCo, in joint ventures in various U.S. states, Canada, Mexico, Australia, New Zealand and other international jurisdictions where cannabis is legal. OpCo currently, or expects to: (i) serve as a branding, marketing and consulting company that will license certain technology and Product names related to the business of THC-based Products and hemp derived supplements, by and through various brands, to businesses engaged in the retail and medical cannabis industry, as applicable, in compliance with applicable laws; (ii) provide consulting services to such Operating Companies, in compliance with applicable laws; (iii) serve as a real estate, fixtures and equipment holding and management company that will acquire, lease, develop and/or manage real property, industrial fixtures and equipment and lease and/or sublease such facilities and infrastructure to Operating Companies; (iv) invest in Operating Companies, in compliance with applicable state law; and (v) enter into financial transactions to support Operating Companies, including, without limitation, loan transactions, in order to promote, support, and develop sales and distribution of DIXIE™ Products.

Academy Explorations Limited

Academy was registered and incorporated on July 20, 1970 under the OBCA as detailed in item 2.2 – *"Corporate Structure – Jurisdiction of Incorporation"*. The company is listed as a junior natural resources company. It has been inactive with no business operations, revenue or profits since July 20, 1970. Academy's current business strategy is to reduce operating expenses and remain liquid while searching for an appropriate opportunity to combine with a private corporation that is looking to become a reporting issue in Ontario and expand its operations by acquiring control of, or investment capital from Academy.

Recent Financings

Academy

On July 5, 2018, Academy closed a non-brokered private placement offering of 25,000,000 Academy Shares at $0.02 per share for a gross proceed of $500,000. Proceeds from the offering will be used for general working capital.

The financing resulted in a change of the principal shareholder of Academy from the Estate of Rae Appleby ("**Estate**") to Shimcity Inc. ("**Shimcity**"), an entity controlled by Shimmy Posen, a Secretary of Shimcity. Pursuant to this offering, Shimcity subscribed for 4,100,768 Academy Shares for a total consideration of $82,015.36. Immediately after the financing, Shimcity's holdings constituted 15.44% of the issued and outstanding Academy Shares. The Estate's holdings of 338,269 Academy Shares was diluted from approximately 21.58% prior to the financing to approximately 1.27% after giving effect to the financing.

On July 5, 2018, Academy announced that the board of directors has authorized the grant of 400,000 incentive stock options to certain directors and officers of the company. Each stock option entitles the holder to acquire one Academy common share for a period of 3 years at an exercise price of $0.02 per common share.

USA Inc.

<u>2016 Issue of Promissory Notes</u>

In June 2016, USA Inc. launched Series B fund raising efforts with the issuance of US$6,000,000 in 18-month term promissory notes. The offering included up to 400,000 USA Warrants at price per share equal to US$15.00 expiring on June 2, 2022 which were issued to investors on a *pro-rata* basis. The promissory notes have an 18 month term and bear interest at 12% per annum maturing in February 2018. Currently, US$2,695,000 of these promissory notes have been repaid through the funds raised in the Series B Financing (see below). The remaining promissory notes of US$1,925,000 were repaid by conversion into USA Shares pursuant to the Series C Financing.

<u>2016 DBPN Financing</u>

On May 5, 2016, DBPN launched an offering of US$1,250,000 of its 1-year term promissory notes, bearing the interest at 12% per annum (the "**DBPN Financing**"). According to the terms of the financing the issued DBPN promissory notes will be repaid in cash. The financing included an issuance of options exercisable at US$10 per USA Share, all of which have since expired.

<u>2018 Series B Financing</u>

On April 17, 2018, USA Inc. closed an offering of 1,090,245 shares of its USA Preferred Stock at US$3.67 per share for gross proceeds of US$4.0 million (the "**Series B Financing**"). The Series B Financing represented approximately 16.67% of the total equity of USA Inc. (immediately following the offering). The Series B Financing was made to accredited investors in the U.S. and Canada on a non-brokered basis. Proceeds from the Series B Financing were used to pay the costs of the offering, repayment of existing indebtedness, working capital, and for general administrative expenses related to management and operation of the business. The Series C Financing constituted a Qualified Financing pursuant to the terms of the USA Preferred Stock, consequently all USA Preferred Stock was converted into USA Shares on October 1, 2018 on closing of the Series C Financing at a rate of 2.89 USA Shares issued for each one share of USA Preferred Stock. There are currently no USA Preferred Stocks outstanding.

<u>Prior Debt Financing</u>

Prior to the Series B Financing, there were two series of debt financings.

The first debt raise was in the amount of US$4,620,000.00 by USA Inc. June 2, 2017. Of the US$4,620,000.00 raised by USA Inc., the company has repaid US$2,695,000.00 to investors, leaving US$1,925,000.00 in aggregate of promissory notes outstanding as of July 1, 2018. Investors were also provided five-year warrants in connection with the financing which entitle them to purchase 276,367 USA Shares for US$0.92 until April 1, 2023.

The second financing was done by Dixie Brands Finance Nevada, LLC. ("**DBFN**") on July 25, 2016. DBFN raised US$1,325,000.00 of convertible debt. There is no longer any obligation for the payment of interest with respect to the DBFN raise.

<u>2018 Series C Financing</u>

On October 1, 2018, USA Inc. closed an offering (the "**Series C Financing**") by way of private placement of 2,687,512 USA Inc.'s units of securities where each unit consist of one USA Share and one USA Warrant (the "**Series C Warrants**", together with the USA Shares and USA Warrants, the "**USA Units**") for aggregate gross proceeds of US$25,000,000. Initially USA Inc. had sought to raise between US$12,000,000 and US$20,000,000 of proceeds, at a deemed value of the fully diluted equity capitalization of Dixie prior to the Series C Financing of US$80,000,000. The offering was increased due to oversubscription. The purchase price of each USA Unit was US$9.30. Each Series C Warrant entitles the holder thereof to acquire one Dixie Share for US$13.95, exercisable for one year. As part of the Series C Financing, US$1,925,000 of debt was exchanged for USA Shares (the "**Debt Conversion**") at the same deemed value of USA Inc. as the Series C Financing. The USA Units issued pursuant to and at the time of the Series C Financing shall be treated for purposes of the transaction in the same way as the other USA Securities existing on the date of the Amalgamation. Concurrently with the Series C Financing, certain members of senior management of USA Inc. were awarded the Management Options exercisable at US$20.00 *per* Management Option. Proceeds of the Series C Financing will be used to pay the costs of the financing, expenses associated with the RTO transaction, repayment of debt, working capital expenses, including financing the USA Inc.'s expansion plans.

The Series C Financing constituted a Qualified Financing for purposes of the USA Preferred Stock. Concurrently with the Series C Financing, each share of USA Preferred Stock was automatically converted to USA Shares on the basis of 2.89 USA Shares for each share of USA Preferred Stock held and all USA Preferred Stock were cancelled.

The Amalgamation

It is expected that Academy will enter into the Amalgamation Agreement with Amalco and USA Inc., pursuant to which Academy will agree to acquire all of the issued and outstanding USA Shares in exchange for SVS of Academy, as the Resulting Issuer following the reverse takeover transaction. Subsequently, Amalco and USA Inc. will merge to form OpCo. Pursuant to the Amalgamation, Academy will acquire all of the USA Shares (other than USA Shares otherwise acquired by Academy from Canadian USA Inc. Shareholders pursuant to the Canadian Exchange Offer) by way of a "three-cornered" amalgamation whereby:

a) each USA Share issued and outstanding immediately prior to the Amalgamation Effective Date shall be transferred by each holder thereof to Academy in exchange for approximately 10.535 fully paid and non-assessable SVS for each USA Share;

b) each Amalco share issued and outstanding immediately prior to the Amalgamation Effective Date shall be exchanged for one OpCo share as a result of the Amalgamation;

c) each USA Share held by the Resulting Issuer will be cancelled as a result of the Amalgamation and the Resulting Issuer will receive, for each USA Share, 0.01 shares of common stock of OpCo;

d) holders of USA Warrants will exchange their warrants for Warrants of the Resulting Issuer with the same economic value and expiration date;

e) holders of USA Options will exchange their options for Options of the Resulting Issuer with the same economic value and expiration date; and

f) each Management Option will be exchanged for one NPV Share and thereafter cancelled. All NPV Shares will be held by Management HoldCo, a private corporation the shares of which may only be held by employees of OpCo.

The Amalgamation will result in USA Inc. merging with Amalco and becoming OpCo, and OpCo changing its name to "Dixie Brands (USA) Inc." and becoming a wholly-owned subsidiary of the Resulting Issuer. Concurrently, the Resulting Issuer will change its name to "Dixie Brands Inc."

As a closing condition of the Amalgamation, in order to optimize the share structure of the Resulting Issuer, Academy will affect the Consolidation prior to closing and amend its articles to provide for the NPV Shares. Without implementing the Consolidation, Academy would be required to issue approximately 42 SVS for every USA Share upon closing of the Amalgamation. Academy's Board of Directors believe that it is in the best interests of Academy to reduce the number of Academy Shares that would be outstanding following the completion of the Amalgamation through the Consolidation and issue approximately 10.535 post-Consolidation SVS for every USA Share.

The specific valuation ascribed to USA Inc. in the Amalgamation Agreement and with respect to any USA Shares acquired by Academy pursuant to the Canadian Exchange Offer was determined by arm's length negotiation between USA Inc. and certain shareholders of Academy, and based in part upon USA Inc.'s recent pre-Amalgamation financings including the Series C Financing, a formal third party valuation is not expected to be necessary.

The Amalgamation must be approved by holders of at least 75% of the outstanding USA Shares at a duly called meeting. A special meeting of the Shareholders of Academy was held on September 5, 2018 (the "**Meeting**") where the Shareholders approved, among other things, Academy's Name Change and amendment to its articles. A management information circular in respect of the Meeting was delivered to Shareholders of Academy in August 2018 and has been filed on SEDAR at www.sedar.com.

Upon completion of the Amalgamation, the directors of Academy will resign and Charles Smith, Brian Graham, Melvin Yellin, Devin Binford, Vincent "Tripp" Keber, III, Michael Lickver and Hugo Alves will be appointed to the Resulting Issuer's Board of Directors. The officers of the Resulting Issuer will consist of:

- Charles Smith (Chief Executive Officer);
- James Feehan (Interim Chief Financial Officer); and
- C.J. Chapman (General Counsel and Secretary).

Academy's authorized share capital (prior to the Amalgamation) consists of an unlimited number of Academy Shares without par value. Prior to giving effect to the Consolidation and Amalgamation, the outstanding capital of Academy consists of:

(a) 26,567,234 Academy Shares;

(b) 400,000 incentive stock options to purchase Academy Shares at C$0.02; and

(c) No warrants to purchase Academy Shares.

USA Inc.'s authorized share capital consists of 15,000,000 USA Shares with $0.0001 par value per share and no shares of USA Preferred Stock. The outstanding capital of USA consists of:

(a) 10,634,989 USA Shares;

(b) 3,340,764 USA Warrants comprised of:

(A) 16,667 USA Warrants issued on November 22, 2016 and expiring on November 23, 2021 with an exercise price of US$15.00 *per* USA Share;

(B) 20,000 USA Warrants issued on June 2, 2017 and expiring on June 2, 2022 with an exercise price of US$15.00 *per* USA Share;

(C) 276,367 USA Warrants issued on April 1, 2018 and expiring on April 1, 2023 with an exercise price of US$0.92 *per* USA Share;

(D) 312,670 USA Warrants issued on April 1, 2018 and expiring on April 1, 2023 with an exercise price of US$1.83 *per* USA Share;

(E) 27,548 USA Warrants on March 8, 2018 and expiring on March 8, 2023 with an exercise price of US$3.63 *per* USA Share;

(F) 2,687,512 USA Warrants issued on October 1, 2018 and expiring on October 1, 2023 with an exercise price of US$13.95 *per* USA Share; and

(c) 1,619,054 USA Options exercisable until September 30, 2028 with an exercise price of US$6.98; and

(d) 500,000 Management Options.

Upon completion of the Amalgamation, after giving effect to the Consolidation, the outstanding capital of the Resulting Issuer will consist of:[1]

(a) approximately 118,679,998 SVS;

(b) 500,000 NPV Shares;

(c) 100,000 Options to purchase one SVS at an exercise price of C$0.08 *per* SVS exercisable until July 5, 2021;

(d) 17,056,733 Options to purchase one SVS at an exercise price of C$0.66 *per* SVS exercisable until September 30, 2028;

(e) approximately 28,312,938 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of approximately C$1.74 *per* share until October 1, 2023;

(f) approximately 3,293,978 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.23 *per* share until April 1, 2023;

(g) approximately 2,911,526 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.11 *per* share until April 1, 2023;

(h) approximately 290,218 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.45 *per* share until March 8, 2023;

[1] Amounts are approximate, based on the a value of 0.76US$ to 1C$ and do not include rounding that will occur with respect to not issuing fractional shares.

(i) approximately 210,700 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$1.87 *per* share until June 2, 2022; and

(j) approximately 175,586 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$1.87 *per* share until November 23, 2021.

Upon completion of the Amalgamation, OpCo (formed on the merger of USA Inc. and Amalco), will become a wholly-owned subsidiary of the Resulting Issuer.

3.2 Significant Acquisitions and Dispositions

Please refer to item 3.1 – *"General Development of the Business"*.

3.3 Trends, Commitments, Events or Uncertainties

Infused-Products as a healthy alternative to smoking

Cannabis-infused Products have become increasingly popular due to the public's adversity to smoke inhalation and its associated long-term health risks. USA Inc. leads the industry in the research and development of new and innovative cannabinoid-infused Products in a variety of formats to meet the needs and preferences of a discerning consumer. USA Inc.'s Product portfolio consists of confections, beverages, tinctures, and topicals – each with unique uptake properties and taste profiles. Additionally, Dixie's portfolio includes low-dose, sugar-free, gluten-free, and vegan options that are in line with current consumer trends and accommodating for special dietary restrictions.

BDS Analytics reports that in Colorado alone statewide sales of infused edible products jumped 67% between February 2016 and February 2017.[2] According to Forbes, recent data from Arcview Market Research indicates California cannabis consumers had spent US$180 million on THC-infused food and beverages in 2017 which amounted to 10% of the state's cannabis sales.[3] In February 2018, that percentage rose 18%.[4]

Aceso / Therabis background – CBD industry opportunity

USA Inc.'s portfolio contains two Product lines that specifically take advantage of the added healing and anti-anxiety benefits of cannabidiol ("**CBD**"). This compound is commonly recognized for its ability to fight inflammation and reduce pain without the psychoactive effects typically associated with THC. *Aceso* is a suite of "hemp 2.0" Products designed to provide general wellness as well as relief from minor aches, pains and mild-anxiety catered for humans. *Therabis* is a pet supplement formulated by an experienced veterinarian and designed to provide relief from itching and mild-anxiety as well as an increase in joint mobility. In 2017, U.S. pet owners spent approximately US$69.51 billion on pets, with more than $30 billion on pet supplies, over the counter medicine, and veterinary care.[5]

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[2] BDS Analytics. "Cannabis Boom Shows No Signs of Quieting in Colorado" *April 14, 2016* <http://bdsanalytics.com/cannabis-boom-shows-no-signs-quieting-colorado/>

[3] Mike Montgomery. "Edibles are the Next Big Thing for Pot Entrepreneurs," *Forbes,* 19 July 2017 <https://www.forbes.com/sites/mikemontgomery/2017/07/19/edibles-are-the-next-big-thing-for-pot-entrepreneurs/#6b20392c576b>

[4] Doug Brown. "California Sales Ignite in February, As Vapes, Edibles Keep on Burning." *Cannabis Business Executive website* <https://www.cannabisbusinessexecutive.com/2018/04/california-sales-ignite-february-vapes-edibles-keep-burning/ >

[5] American Pet Products Association. "Pet Industry Market Size & Ownership Statistics." <http://www.americanpetproducts.org/press_industrytrends.asp>

Forbes Magazine suggested that the hemp-derived CBD market as a whole will grow over the next five years resulting in a billion-dollar industry by 2021.[6]

Health benefits of cannabis and the ailments it treats

As cannabis regulation becomes more defined, research on cannabis has increased. Data from these studies continues to support the myriad health benefits of the plant and its compounds.

Last year, a large review from the National Academies of Sciences, Engineering, and Medicine assessed more than 10,000 scientific abstracts on cannabis.[7] One area that the report looked closely at was the use of medical marijuana to treat chronic pain. The review found substantial evidence that cannabis, or cannabinoids, are effective at relieving chronic pain in adults.[8] Chronic pain is a serious issue in the U.S with nearly 50 million American adults suffering from chronic or severe pain. [9] According to the 2012 National Health Interview survey, 25 million American adults suffer daily chronic pain while 23 million more reportedly suffer from severe pain.[10]

A systematic review of medical cannabis and mental health, published last year in the journal *Clinical Psychology Review*, revealed that using marijuana may help people with alcohol or opioid dependencies to fight their addictions.[11] The review assessed all published scientific literature that investigated the use of marijuana to treat symptoms of mental illness. Its authors found evidence supporting the use of marijuana to relieve depression and post-traumatic stress disorder symptoms.

CBD, which, unlike THC, does not have a psychoactive effect, has long been known as a potent anti-cancer agent as it can interfere with cellular communication in tumors as well as instigate cancer cell death. A study by the California Pacific Medical Center has shown that CBD may have the ability to decrease metastatic breast cancer and potentially other forms of cancer.[12]

USA Inc.'s brand equity

For nearly a decade, USA Inc.'s team has worked to develop safe, consistent, and innovative Products to serve the growing consumer demand for cannabis.

[6]Debra Borchardt. "The Cannabis Market that Could Grow 700% by 2020" *Forbes* < https://www.forbes.com/sites/debraborchardt/2016/12/12/the-cannabis-market-that-could-grow-700-by-2020/#146456924bel >

[7] The National Academies of Sciences, Engineering and Medicine. "The Health Effects of Cannabis and Cannaboids – Report Highlights" *January 2017,* <http://nationalacademies.org/hmd/~/media/Files/Report%20Files/2017/Cannabis-Health-Effects/Cannabis-report-highlights.pdf>

[8] The National Academies of Sciences, Engineering and Medicine. "The Health Effects of Cannabis and Cannaboids – Committee's Conclusions" *January 2017,* <http://nationalacademies.org/hmd/~/media/Files/Report%20Files/2017/Cannabis-Health-Effects/Cannabis-conclusions.pdf >

[9] American Pain Society. "NIH Study Shows Prevalence of Chronic or Severe Pain in U.S. Adults" *August 18, 2015* <http://americanpainsociety.org/about-us/press-room/nih-study-shows-prevalence-of-chronic-or-severe-pain-in-u-s-adults>

[10] American Pain Society. "NIH Study Shows Prevalence of Chronic or Severe Pain in U.S. Adults" *August 18, 2015* <http://americanpainsociety.org/about-us/press-room/nih-study-shows-prevalence-of-chronic-or-severe-pain-in-u-s-adults>

[11] Walsh et. Al. *Medical Cannabis and Mental Health: A guided systematic review.* Clinical Psychology Review 51 (2017) 15-29 accessed from: < http://blogs.ubc.ca/walshlab/files/2015/06/Review-Article.pdf >

[12] CPMC. "New Study Finds Cannabis Compound Could Have Even Greater Reach in Inhibiting Aggressive Cancer than Previously Thought." *December 13, 2012* <http://www.cpmc.org/about/press/news2012/cannabis-brain.html>

Welcome to the future of cannabis.

Originating from a single flagship Product, the Dixie Elixir (a THC-infused soda), DIXIE™ has developed a portfolio of 100 different cannabis-infused Products across over 30 product categories, representing the industry's finest confections, tinctures, and topicals. USA Inc. believes that it is one of the most highly regarded brand portfolios in the industry.

ELIXIRS

CHOCOLATES

SYNERGY

MINTS

GUMMIES

DEW DROPS

TARTS

TOPICALS

LIFTED


ACESO
CALM
SOOTHE
WELLNESS


THERABIS
CALM AND QUIET
UP AND MOVING
STOP THE ITCH


ELIXIR
CHERRY LIMEADE
THC INFUSED
100 MG
THC
Contains Marijuana. Keep away from children.
ELIXIR
FRUIT PUNCH
THC INFUSED
100 MG
THC
Contains Marijuana. Keep away from children.
ELIXIR
HALF & HALF
TEA & LEMONADE
THC INFUSED
100 MG
THC
Contains Marijuana. Keep away from children.
TARTS
100MG PER PACK
10MG PER TART
THC
SYNERGY SOAK
CBD & THC SOOTHING SOAK
SYNERGY RELIEF
CBD & THC INFUSED BALM
SYNERGY COOL
CBD & THC COOLING BALM
SYNERGY HEAT
CBD & THC WARMING BALM

The modern wave of marijuana decriminalization began in 2001 when Nevada became the first state in over two decades to decriminalize cannabis. Major cities across the United States have since followed. Between 2003 and 2006, Seattle, Oakland, Denver, and San Francisco passed legislation to decriminalize cannabis. In November of 2012, Colorado and Washington became the first to legalize recreational cannabis statewide and regulate it similarly to alcohol. In 2016, the nation's most populous state, California alongside Nevada, Massachusetts, and Maine legalized the recreational sale of cannabis. Presently**,** the United States allows recreational marijuana in nine states plus Washington D.C. while some form of medical marijuana is legal in 37 states. Just four states remain without any form of cannabis legislation.

There are no other trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material adverse effect on the Resulting Issuer's business, the Resulting Issuer's financial condition or results of operations other than as described in item 4.1 - *"Narrative Description of the Resulting Issuer's Business – US Regulatory Environment"*. However, there are significant risks associated with the Resulting Issuer's business, as described in item 17 – *"Risk Factors"*.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1(1) Narrative Description of the Resulting Issuer's Business

Business of the Resulting Issuer

USA Inc. is a privately-owned company incorporated under the laws of Delaware on May 5, 2014 under the name "Dixie Brands, Inc." It was formed for the primary purpose of managing, protecting, and promoting a portfolio of licensed intellectual property and commercialization of proprietary processes and Products related to the DIXIE™ brand. USA Inc. is, and OpCo will be, the direct owner of Dixie IP and engaging in the licensing of proprietary bases, essences, and other prepared ingredients the formula for which is an industrial secret of USA Inc., from which branded and proprietary THC-infused Products are manufactured by Operating Companies and distribution Affiliates. DIXIE™ Products are made with pure, premium cannabis.

Through USA Inc.'s manufacturing and distribution affiliates, each proprietary Product is infused with clean, carbon dioxide extracted THC that is laboratory tested. USA Inc. currently controls the intellectual property for many premium THC-infused Product lines, including: DIXIE™ Elixirs Sparkling Beverages, DIXIE™ Mints, DIXIE™ Dew Drops (sublingual tinctures), DIXIE™ Chocolates, DIXIE™ Topicals, and DIXIE™ Synergy 1:1 CBD and THC Products. USA Inc. also controls the operations and intellectual property for its hemp supplement subsidiaries, Aceso Wellness and Therabis, LLC.

The DIXIE™ family of word marks, including but not limited to "DIXIE ELIXIRS & EDIBLES", "DIXIE MINTS", "DIXIE TONICS" and "SYNERGY", "ACESO WELLNESS", "THERABIS" the logo, as well as trade secret recipes and Product manufacturing know-how are exclusively owned by USA Inc.

The market for cannabis Products in the U.S. is regulated by numerous federal, state and local laws and regulations including those relating to cannabis, environmental protection and human health and safety. Marijuana, or cannabis, is illegal in the U.S. under the federal law and is listed as a Schedule I hallucinogenic substance pursuant to the CSA. Accordingly, USA Inc. and its Affiliates operate under the guidelines and regulations established on a state by state basis. See – *U.S. Regulatory Environment* below.

Currently, USA Inc. has licensed certain portions of the Dixie IP to qualified state regulated producers in the following four states: Colorado, California, Nevada and Maryland. Details on the four license partners include:

Nevada

USA Inc. and Silver State Wellness LLC ("**SSW**"), a state regulated producer of THC Products in Nevada, have entered into a joint venture to manufacture and distribute DIXIE™ branded Products in Nevada. The joint venture is conducted through DB Products Nevada LLC ("**DBPN**"), a 70% Nevada subsidiary of USA Inc. which was formed on May 5, 2016. Through the joint venture, USA Inc. has exclusively licensed the preparation, packaging, distribution and sale of DIXIE™ Products in Nevada to SSW through the joint venture. USA Inc. will receive 73.5% of the gross revenue DBPN derived from DIXIE™ Products in Nevada while SSW will receive 25% of the gross revenue. SSW is required to pay an initial branding fee to DBPN and has agreed to purchase packaging and ingredients from DBPN, which are subject to monthly packaging, labeling and ingredient fees based on the number of Products ordered.

SSW has retained DBPN to provide business and consulting services for which DBPN receives a fee. In addition, DBPN provided a revolving line of credit to SSW on October 13, 2016 for a principal sum of US$500,000 with 12% interest per annum on any outstanding balance. DBPN also leases certain equipment to SSW in connection with the venture.

The joint venture and ancillary agreements have an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of SSW. DBPN through SSW launched distribution of DIXIE™ branded Products at the end of 2016 to the medical market. Recreational sales began in July of 2017 in Nevada.

Colorado

USA Inc. and Left Bank, LLC ("**Left Bank**"), a company licensed to prepare and distribute THC Products in Colorado, entered into a manufacturer's license agreement on May 14, 2014 pursuant to which USA Inc. granted Left Bank an exclusive right to use and license Dixie trademarks and preparation methods as well as prepare, package, distribute and sell DIXIE™ Products in Colorado. Left Bank has an exclusive right to supply, designate and authorize third party suppliers for ingredients. Pursuant to the agreement, Left Bank provided USA Inc. an initial branding fee and agreed to purchase ingredients and packaging materials from USA Inc. or authorized third party suppliers. Left Bank additionally pays USA Inc. a monthly packaging fee and packaging and labelling fees which are based on the number of containers ordered through the period. The manufacturer's license agreement has an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of USA Inc. Left Bank must provide a written notice twelve (12) months prior to the expiration of the agreement to exercise this option.

Left Bank is currently the largest producer of DIXIE™ branded Products in the U.S.

California

USA Inc. entered into a manufacturer's license agreement on April 4, 2015 with three state regulated THC producers in California. Pursuant to the agreement Indus Holdings Co. ("**Indus**"), a Delaware Corporation; Edible Management, LLC ("**Edible**"), a California limited liability; and Cypress Manufacturing Company ("**Cypress**"), a California corporation were collectively granted an exclusive license to prepare, package, distribute and sell DIXIE™ Products in California. Indus, Edible and Cypress paid an initial branding fee to USA Inc., and agreed to purchase ingredients and packaging from USA Inc. or authorized third party suppliers. USA Inc. receives a bimonthly preparation fee based on the number of DIXIE™ Products sold through the period. Indus, Edible and Cypress also agreed to advertise, market and promote DIXIE™ Products to create, stimulate and sustain demand in California. The manufacturer's license agreement has an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of Indus, Edible and Cypress.

Indus, Edible and Cypress began manufacturing and distributing DIXIE™ Products to medical dispensaries in California in 2015 and are now expanding distribution to legal recreational dispensaries in that state.

Maryland

USA Inc. and Curio Manufacturing LLC ("**Curio**"), a company licensed to prepare and distribute THC Products in Maryland, entered into a manufacturer's license agreement on November 2, 2016 pursuant to which USA Inc. granted an exclusive non-transferable license to Curio to prepare, package, distribute and sell DIXIE™ Products in Maryland. Pursuant to the agreement, Curio provided USA Inc. an initial branding fee and agreed to purchase ingredients and packaging materials from USA Inc. or third party suppliers authorized by USA Inc. Curio additionally pays USA Inc. a monthly preparation fee and supply fees which are based on the number of DIXIE™ Products sold through the period. The manufacturer's license agreement has an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of Curio.

Curio began distribution of the DIXIE™ branded Products in the end of 2017. Maryland is currently a medical market only.

Canada and Mexico

USA Inc. and Auxly Cannabis Group Inc. ("**Auxly**"), a Canadian corporation, entered into a licensing agreement on May 7, 2018, pursuant to which USA Inc. granted an exclusive license to Auxly to prepare, package, distribute and sell DIXIE™ branded Products in Canada and Mexico. Pursuant to the agreement, Auxly was granted a ten-year term to the DIXIE™ IP with some limited right to sublicense or transfer this license to an entity where it holds at least 51% voting power. As consideration, Auxly is subject to license fees based on gross revenues from the sale of DIXIE™ Products of which US$4,000,000 has been pre-paid at the execution of the agreement. Auxly and USA Inc. have formed a joint relationship committee consisting of one representative from each party to provide oversight, including approving packaging, containers, ingredients used by Auxly. The agreement may be extended, upon renewal, for up to two (2) additional periods of five (5) years.

Australia

Therabis, LLC ("**Therabis**") is a 60% owned Delaware subsidiary of USA Inc. that is engaged in the manufacture and sale of cannabis Products intended for ingestion by animals. Therabis entered into a manufacturer's license agreement on May 22, 2017 with Therabis Holdings Pty Ltd. ("**AustraliaCo**"), a regulated producer of THC Products in Australia. Pursuant to the agreement, Therabis granted AustraliaCo an exclusive, non-transferable, right to use its trademarked animal Product lines and preparation methods for importation, preparation, packaging, distribution and sale of Therabis Products in Australia and New Zealand. Under the terms of the agreement, AustraliaCo has paid an initial branding fee to secure its exclusive license. Therabis has agreed to provide AustraliaCo Products and/or bulk ingredients at wholesale cost and training and support. AustraliaCo will purchase Product packaging from Therabis and is also required to pay monthly Product license fees based on revenue derived from Therabis Products. The manufacturer's license agreement has an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of Therabis Australia.

Business Objectives

Following the Amalgamation, the principal business that will be carried on by the Resulting Issuer through OpCo is the branding, marketing and licensing of certain technology and Product names related to THC-Products, including brands such as "DIXIE™ ELIXIRS & EDIBLES", as well as full spectrum hemp oil derived human and animal dietary supplements through the brands "ACESO WELLNESS" and "THERABIS" in the United States, Canada, Mexico, Australia and New Zealand.

The Resulting Issuer plans to expand the DIXIE™ brand and line of Products into U.S. states where medical and recreational marijuana are legal by contracting with local state license holders in those states to produce and distribute DIXIE™ brand Products. OpCo will be paid an initial production and service fee as well as monthly branding fees, negotiated on a state-by-state basis, for each unit or a derivative thereof sold. OpCo may also enter into financial transactions to support licensees or affiliated manufacturing companies in order to promote, support, and develop sales and distribution of DIXIE™ Products including through investment in joint ventures in various states. OpCo may also provide consulting services to manufacturers and retailers, in compliance with applicable state law; (iii) serve as a real estate, fixtures and equipment holding and management company that will acquire, lease, develop and/or manage real property, industrial fixtures and equipment and lease and/or sublease such infrastructure to manufacturers and retailers; (iv) invest in such companies, in compliance with applicable state law; and (v) enter into financial transactions to support such, including, without limitation, loan transactions, in order to promote, support, and develop sales and distribution of Products utilizing its portfolio of intellectual property.

Significant Events or Milestones

Over the next twelve months USA Inc. has allocated $5,200,000 to secure license agreements and launch operations in Florida, Massachusetts, Michigan, Oregon, and Pennsylvania. USA Inc. has already secured a license agreement in Canada with Auxly/DoseCann and is preparing for production. USA Inc. has allocated $1,000,000 each, $2,000,000 total, to the expansion of distribution channels and product development for Aceso and Therabis. USA Inc. has an extensive product innovation pipeline, many of which are not being manufactured by any other infused products manufacturer.

Total Funds Available

The *pro forma* working capital position of the Resulting Issuer as at October 1, 2018 (on completion of the Series C Financing), giving effect to the Amalgamation as if it had been completed on that date, was approximately US$23,000,000. USA Inc. has historically relied upon equity financings to satisfy its capital requirements and the Resulting Issuer will continue to depend upon equity capital to finance its activities moving forward for the foreseeable future.

On October 1 2018, USA Inc. completed its Series C Financing for gross proceeds of US$25,000,000 (discussed above). Proceeds from the Series C Financing were used to repay remaining indebtedness including outstanding promissory notes, and will be used to fund continued revenue growth in California and Nevada, provide capital for expansion into new U.S. states such as Massachusetts, Michigan, Florida, Oregon and Pennsylvania and to further develop the management team and company infrastructure to support international expansion efforts.

The consolidated *pro forma* balance sheet of the Resulting Issuer, which gives effect to the Amalgamation as if it had been completed on October 1, 2018, is attached hereto as SCHEDULE A.

Purpose of Funds

The Resulting Issuer intends to spend the funds available to it for working capital, and for general administrative expenses related to management and operation of the business. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer will require additional funds beyond the funds raised in the Series C Financing in order to fulfill all of its expenditure requirements to meet its new business objectives and expects to either issue additional securities or incur debt. There can be no assurance that additional funding required by the Resulting Issuer will be available if required. However, it is anticipated that available funds subsequent to the Series C Financing will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

U.S. Regulatory Environment

The United States federal government regulates drugs through the Controlled Substances Act (CSA), which places controlled substances, including cannabis, in five different tiers or schedules. Under U.S. federal law, marijuana is currently a Schedule I drug. A Schedule I drug means the Drug Enforcement Agency considers it to have a high potential for abuse, no accepted medical use, and an absence of safe use. Other Schedule I drugs include heroin, LSD and ecstasy. The FDA has not approved marijuana as a safe and effective drug for any indication (although in June 2018, the FDA approved a cannabis-derived cannabidiol drug for treatment of two rare forms of childhood epilepsy). USA Inc. believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is unlikely to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while studies show cannabis is less harmful than alcohol,[13] alcohol is not classified under the CSA.

Given that 30 U.S. states have now legalized adult-use and/or medical marijuana, the federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of two United States Department of Justice Memoranda drafted by former Deputy Attorney General James Michael Cole in August 2013 (the "**Cole Memo**")[14] and February 2014[15] and the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") guidance in February 2014.[16]

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

1. preventing the distribution of marijuana to minors;

2. preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;

3. preventing the diversion of marijuana from states where it is legal under state law in some form to other states;

[13]See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. Scientific Reports, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. Visions Journal, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. Neurotoxicology and Teratology, 31, 349-355. https://doi.org/10.1016/j.ntt.2009.07.006; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. Arch Gen Psychiatry Review, 57, 547-552. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/10839332; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. Addictive Behaviours, 28, 1533-1554. Retrieved from http://www.ukcia.org/research/AgressiveBehavior.pdf; and Fals-Steward, W.,Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. Addictive Behaviors, 28, 1555-1574. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/14656545.

[14]U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement.* Washington, DC: US Government Printing Office. Retrieved from https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf.

[15] James M. Cole, Deputy Attorney General, U.S. Department of Justice, Memorandum for All United States Attorneys: Guidance Regarding Marijuana Related Financial Crimes (February 14, 2014).

[16]Department of the Treasury Financial Crimes Enforcement Network. (2014). Guidance re: BSA Expectations Regarding Marijuana-Related Businesses (FIN-2014-G001). Retrieved from https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses.

4. preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. preventing the intoxicated driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. preventing marijuana possession or use on federal property.

In January 2018, United States Attorney General, Jeff Sessions, rescinded the Cole Memo and thereby deferred enforcement decisions to the U.S. Attorneys across the country. As an industry best practice, despite the recent rescission of the Cole Memo, USA Inc. continues to do the following to ensure compliance with the guidance provided by the Cole Memo:

- Ensure the operations of its subsidiaries (or third parties, in the jurisdictions where they conducts their business as an ancillary services provider) are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, USA Inc. retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- Ensure that the activities undertaken by its subsidiaries relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, the Products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the Products are only sold to individuals who meet the requisite age requirements;
- In working with licensed Operating Companies in states where programs allow for the wholesaling of Products, USA Inc. conducts due diligence on the policies and procedures to ensure that the Products are not distributed to minors. Additionally, USA Inc. employs professional consultants to investigate any past license violations and ensure that the business has not been involved in these types of violations;
- USA Inc. only works through licensed Operating Companies, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises, gangs and cartels. Furthermore, as a part of its due diligence, USA Inc. retains professional consultants to vet the ownership of such cannabis businesses to ensure that no profits or revenues are used for the benefit of criminal enterprises;
- As a part of its compliance audit, USA Inc. also ensures that its licensed operators have an adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory. This is done to ensure that there is no diversion of cannabis or cannabis Products into the states where cannabis is not permitted by state law, or cross the state lines in general;
- USA Inc. conducts the necessary review of financial records and where appropriate retains professional third-party consultants to do so, to ensure that the state-authorized cannabis business

activity is not used as a cover or pre-text for trafficking of other illegal drugs, is engaged in other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;

- USA Inc. conducts background checks to ensure that the principals and management of the licensed operators are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis; and

- USA Inc. conducts reviews of the activities of Operating Companies it contracts with, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis Products outside of licensed premises (including the cases where such possession permitted by regulation – e.g. transfer of Products between licensed premises). These activities are done to ensure that no licensed operators possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could risk prosecution and conviction of money laundering offenses for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could also be found in violation of federal law.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, in February 2014, Deputy Attorney General Cole issued guidance directing prosecutors to consider the Cole Memo enforcement priorities with respect to federal money laundering, unlicensed money transmitter, and Bank Secrecy Act ("**BSA**") offenses predicated on marijuana-related violations of the CSA. FinCEN also issued guidance in February 2014 clarifying how financial institutions can provide services to marijuana-related businesses consistent with their BSA obligations, and aligning the information provided by financial institutions in BSA reports with federal and state law enforcement priorities. The customer due diligence steps include, but are not limited to:

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;

2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;

3. requesting from state licensing and enforcement authorities available information about the business and related parties;

4. developing an understanding of the normal and expected activity for the business, including the types of Products to be sold and the type of customers to be served (e.g., medical versus recreational customers);

5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;

6. ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and

7. refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the risk aversion of financial institutions, marijuana businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to be exposed to potential violations of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. Despite the attempt by FinCEN to expand access to banking for marijuana-related businesses, practically the guidance has not improved access to banking services by marijuana businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business they take on as a customer. Recently, some banks that have been servicing marijuana businesses have been closing accounts operated by marijuana businesses and are now refusing to open accounts for new marijuana businesses for the reasons enumerated above.

The few credit unions who have agreed to work with marijuana businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government can change enforcement priorities as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also servicing the need of their other customers.

The U.S. Secretary of the Treasury, Stephen Mnuchin, has publicly stated that he did not participate in the Attorney General's decision to rescind the Cole Memo and does not have a desire to rescind the FinCEN guidance for financial institutions without a replacement.[17] Multiple legislators believe that Sessions' rescission of the Cole Memo invites an opportunity for Congress to pass more definitive protections for marijuana businesses in states with legal marijuana programs during this Congress.[18]

Both Congress and marijuana-related businesses recognize that guidance is not law and thus have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) since 2014. This amendment prevents the Department of Justice from using appropriated funds to impede the implementation of medical cannabis laws enacted at the state level. In 2017, Senator Patrick Leahy (Vermont) introduced a similar amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level (the "**Leahy Amendment**"). The Leahy Amendment will expire with the 2018 Fiscal Year on September 30, 2018. At such time, it must be reauthorized in the 2019 Fiscal Year omnibus appropriations package or a continuing budget resolution.

For fiscal year 2019, the strategy amongst Marijuana proponents in Congress, is to introduce numerous marijuana-related appropriations amendments in the Appropriations Committee in both the House and Senate, similar to the strategy employed in fiscal year 2018.[19] The amendments will include protections for marijuana-related businesses in states with medical and adult use marijuana laws, as well as protections for

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[17]Angell, Tom. (2018 February 6). Trump Treasury Secretary Wants Marijuana Money In Banks. Retrieved from https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53; see also Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7). Retrieved from http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/.

[18]Jackson, Cherese. (2018 January 30). State-by-State Analysis of Sessions Move to Rescind Cole Memo. Retrieved from http://guardianlv.com/2018/01/state-state-analysis-sessions-move-rescind-cole-memo/; see also Velasquez, Josefa. (2018 January 23). NY Lawmarker Asks US Attorneys to Keep Hands Off State's Med Marijuana Programs. Retrieved from https://www.law.com/newyorklawjournal/sites/newyorklawjournal/2018/01/22/ny-lawmaker-asks-us- attorneys-to-keep-hands-off-states-med-marijuana-programs/?slreturn=20180205182803; see also "This is Outrageous": Politicians react to news that A.G. Sessions is rescinding Cole Memo. (January 4 2018). Retrieved from https://www.thecannabist.co/2018/01/04/sessions-marijuana-cole-memo-politicians/95890/.

[19]Congress of the United States. (2018 January 12). Letter to The Honorable Paul Ryan, The Honorable Nancy Pelosi, Chairman Rodney P. Frelinghuysen and Ranking Member Nita Lowey. Retrieved from https://polis.house.gov/uploadedfiles/marijuana_appropriations_mcclintock-polis_language_1-12-18.pdf.

financial institutions that provide banking services to state-legal marijuana businesses.[20] However, it should be noted that there is no assurance that such amendments will be passed into law.

Since 2014, Congress has made significant developments in marijuana policy. The bipartisan Congressional Cannabis Caucus launched in 2017 and is headed by Representatives Dana Rohrabacher (CA-48), Earl Blumenauer (OR-03), Don Young (AK-At Large), and Jared Polis (CO-02). The group is "dedicated to developing policy reforms that bridge the gap between federal laws banning marijuana and the laws in an ever-growing number of states that have legalized it for medical or recreational purposes"[21] Additionally, each year more Representatives and Senators sign on and co-sponsor marijuana legalization bills including the STATES Act, the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end federal marijuana prohibition, Congressman Blumenauer and Senator Wyden introduced in 2017 the three-bill package, Path to Marijuana Reform which would fix the 280E provision, eliminate civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduce barriers to banking, and would de-schedule, tax and regulate marijuana.[22]

Notwithstanding the foregoing, there is no guarantee that the current presidential administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws against state-legal marijuana businesses. The Trump administration could decide to enforce U.S. federal laws vigorously. Senator Cory Booker has also introduced the Marijuana Justice Act, which would deschedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion.

An additional challenge to marijuana-related businesses is that the provisions of the Internal Revenue Code, Section 280E, are being applied by the IRS to businesses operating in the medical and adult use marijuana industry. Section 280E of the Internal Revenue Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

The following sections describe the legal and regulatory landscape in the states in which Dixie Brands Inc., through its subsidiaries and sublicensees, operates. While USA Inc.'s operations are in full compliance with all applicable state laws, regulations and licensing requirements, for the reasons described above and the risks further described in item 17 below, there are significant risks associated with the business of USA Inc. Readers are strongly encouraged to carefully read all of the risk factors contained in item 17 below.

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[20] Congress of the United States. (2018 January 17). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from https://dennyheck.house.gov/sites/dennyheck.house.gov/files/FINCEN%20MJ%20Guidance%20Letter%20FINAL.pdf ; see also United States Senate. (2018 January 11). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from https://www.documentcloud.org/documents/4347431-368944892-Letter-Urging-FinCEN-to-Maintain.html#document/p1; see also United States Senate. (2018 January 18). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from https://www.documentcloud.org/documents/4356160-18-01-18-FinCEN-LTR-Cannabis-Banking.html; see also Congress of the United States. (2018 January 25). Letter to The Honorable Donald Trump. Retrieved from https://www.warren.senate.gov/files/documents/2018_01_25%20Letter%20to%20Trump%20on%20Sessions%20withdrawal%20of%20the%20Cole%20memo.pdf.

[21] Huddleston, Tom Jr. (2017 February 17). Pro-Pot Lawmakers Launch a Congressional Cannabis Caucus. Retrieved from http://fortune.com/2017/02/16/congress-cannabis-caucus/.

[22] Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan- path-marijuana-reform.

California

California Regulatory Landscape

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 ("**CUA**"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused Products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused Product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the Adult Use of Marijuana Act" ("**AUMA**") creating an adult-use marijuana program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are the Bureau of Cannabis Control ("**BCC**"), the California Department of Food and Agriculture, the California Department of Public Health, and the California Department of Tax and Fee Administration.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine the number of licenses they will issue to marijuana operators, or can choose to outright ban marijuana. MAUCRSA went into effect on January 1, 2018.

Licenses

The Operating Companies in California have the requisite license to operate as Medical and Adult-Use Retailers, Cultivators and Distributors under applicable California and local jurisdictional law. Their licenses permitting them to possess, cultivate, process, dispense and sell medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses issued by state regulatory agencies and state law. USA Inc. obtained the rights to the entities that were ultimately licensed pursuant to sublicensing agreements.

The licenses are independently issued for each approved activity for use at the Operating Companies and their facilities in California. These are the types of licenses available for cannabis businesses in California:

- Retailer (BCC)
- Retailer Non-Storefront (BCC)
- Distributor (BCC)

- Distributor Transport Only (BCC)
- Microbusiness (BCC)
- Testing Laboratory (BCC)
- Cannabis Event Organizer (BCC)
- Commercial Manufacturing (MSCB)
- Cultivation (CDFA)

Please see the table below for a list of the licenses issued to the Operating Companies in respect of their operations in California.

California state and local licenses are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by BCC. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, USA Inc. would expect to receive the applicable renewed license in the ordinary course of business. While USA Inc.'s compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that USA Inc.'s licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of USA Inc. and have a material adverse effect on USA Inc.'s business, financial condition, results of operations or prospects.

In California, the state licensing authorities include:

- **Bureau of Cannabis Control California:** The Bureau of Cannabis Control is the lead agency in regulating commercial cannabis licenses for medical and adult-use cannabis in California. The Bureau is responsible for licensing retailers, distributors, testing labs, microbusinesses, and temporary cannabis events.

- **California Department of Public Health**: The Manufactured Cannabis Safety Branch, a division of the California Department of Public Health (CDPH), is responsible for regulating and licensing the manufacturers of cannabis-infused edibles for both medical and nonmedical use.

- **California Department of Food & Agriculture:** CalCannabis Cultivation Licensing, a division of the California Department of Food and Agriculture (CDFA), is responsible for licensing cultivators of medicinal and adult-use (recreational) cannabis and implementing a track-and-trace system to record the movement of cannabis through the distribution chain.

Below is the list of licenses held by Cypress:

Type of License	License No.	Effective Period
Temporary Manufacturing License, Adult-Use Cannabis Products	#CDPH-T00000345 for A-Type 7: Volatile Solvent Extraction	January 1, 2018 to July 28, 2018
Adult-Use – Distributor Temporary License	#A11-18-0000287-TEMP	May 3, 2018 to August 31, 2018
Temporary Manufacturing License, Medicinal Cannabis Products	#CDPH-T00000344 for M-Type 7: Volatile Solvent Extraction	January 1, 2018 to July 28, 2018

Medicinal – Distributor Temporary License	# M11-18-0000330-TEMP	May 3, 2018 to August 31, 2018
Temporary Cannabis Cultivation License	#TML18-0003261 for Temporary-Small Mixed-Light Tier 2	May 12, 2018 to August 10, 2018

License and Regulations

The Adult-Use Retailer licenses permit the sale of cannabis and cannabis Products to any individual age 21 years of age or older. Under the terms of such licenses held, the Operating Companies are permitted to sell adult-use cannabis and cannabis Products to any qualified customer, provided that the customer presents a valid government-issued photo identification USA Inc. and its Operating Companies maintain an open and collaborative relationship with the BCC and city level cannabis regulators.

The Medicinal Retailer licenses permit the sale of medicinal cannabis and cannabis Products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations. USA Inc. maintains an open and collaborative relationship with the BCC and city level cannabis regulators.

The Adult-Use and Medicinal Cultivation licenses, which have been granted to the Operating Companies permit cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit the production of a limited number of non-manufactured cannabis Products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

The Adult-Use and Medicinal Distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis Products between licensed entities. Distribution activity is permissible to and from certain USA Inc. related licensees and non-USA Inc. licensees.

In the state of California, only cannabis that is grown in the state can be sold in the state. The state also allows the Operating Companies to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis Products to, another licensed entity within the state.

Reporting Requirements

The state of California has selected Franwell Inc.'s METRC solution ("**METRC**") as the state's track-and-trace ("**T&T**") system used to track commercial cannabis activity and movement across the distribution chain ("**seed-to-sale**"). The METRC system is in the process of being implemented state-wide but has not been released. When operational, the system will allow for other third-party system integration via application programming interface. USA Inc. currently utilizes an Affiliate to provide compliance reports. Certain processes remain manual, with proper control and oversight, in anticipation of METRC and greater integration of processes.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the California Operating Companies are required to do the following:

1) maintain a fully operational security alarm system;

2) contract for security guard services;

3) maintain a video surveillance system that records continuously 24 hours a day;

4) ensure that the facility's outdoor premises have sufficient lighting;

5) not dispense from its premises outside of permissible hours of operation;

6) store cannabis and cannabis Product only in areas per the premises diagram submitted to the state of California during the licensing process;

7) store all cannabis and cannabis Product in a secured, locked room or a vault;

8) report to local enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and

9) to ensure the safe transport of cannabis and cannabis Products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis Products. Only vehicles registered with the BBC, that met BBC distribution requirements, are to be used to transport cannabis and cannabis Products.

Nevada

Nevada Regulatory Landscape

Medical marijuana use was legalized in Nevada in 2001 through a ballot initiative in 2000. In 2013, Nevada legislature passed SB 374, providing for state licensing of medical marijuana establishments. On November 8, 2016, voters in Nevada passed the NRS 453D by ballot initiative allowing for the sale of recreational marijuana for adult use starting July 1, 2017. The first dispensaries to sell adult use marijuana began sales in July 2017. The Nevada Department of Taxation ("**Nevada DOT**") is the regulatory agency overseeing the medical and adult use cannabis programs. Similar to California, cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue.

USA Inc. through SSW in that state, only operates in Nevada cities or counties with clearly defined marijuana programs. Currently SSW has locations in Las Vegas, Nevada.

Licenses

SSW is licensed to operate in the state of Nevada. Please see the table below for a list of the licenses issued to SSW in respect of their operations in Nevada. Under applicable laws, the licenses permit the Operating Company to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the Nevada DOT under the provisions of Nevada Revised Statutes section 453A. These are the types of licenses available for cannabis businesses in Nevada:

- **Cultivation Facility:** licensed to cultivate, process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- **Distributor**: licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.

- **Product Manufacturing Facility**: licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.
- **Testing Facility**: licensed to test marijuana and marijuana products, including for potency and contaminants.
- **Retail Store**: licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

All marijuana establishments must register with Nevada DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by Nevada DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from Nevada DOT may an entity engage in cannabis business operation.

Below is the list of licenses held by SSW:

Type of License	License No.	Effective Period
Medical Marijuana Production	#30119351751785994439	July 1, 2018 to June 30, 2018
Medical Marijuana Cultivation	# 01458092845320057986	July 1, 2018 to June 30, 2018
Marijuana Production Manufacturing	ID:1018742581-001, (correspondence: 1700011092101)	July 1, 2018 to June 30, 2018
Marijuana Cultivation	ID: 1018742581-001, (correspondence: 1700011092100)	July 1, 2018 to June 30, 2018

Nevada License and Regulations

In the state of Nevada, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the Operating Company to make wholesale purchase of cannabis from another licensed entity within the state.

The retail dispensary licenses and registration certificate permit the Operating Company to purchase marijuana from cultivation facilities, marijuana and marijuana Products from product manufacturing facilities and marijuana from other retail stores, and allows the sale of marijuana and marijuana Products to consumers.

The medical cultivation licenses permit the Operating Company to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana Products and/or medical marijuana-infused Products, or other medical marijuana cultivation facilities. SSW intends to apply for recreational license status for each of the medical marijuana licenses as soon as the state releases its forthcoming applications in 2018. One must have a final registration certificate in order to apply for recreational status.

The medical Product manufacturing license permits the Operating Company to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana Products or marijuana infused Products to other medical marijuana production facilities or medical marijuana dispensaries. SSW intends to apply for recreational license status for the medical marijuana production license as soon as the state releases its forthcoming applications in 2018. One must have a final registration certificate in order to apply for recreational status.

Reporting Requirements

The state of Nevada uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. The individual licensees work directly with METRC and the METRC system captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the Operating Company is required to do the following:

- Be an enclosed, locked facility;
- Have a single secure entrance;
- Train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling Products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;
- Install security equipment to deter and prevent unauthorized entrances, which includes:
    - Devices that detect unauthorized intrusion which may include a signal system
    - Exterior lighting to facilitate surveillance;
    - Electronic monitoring including, without limitation:
- At least one call-up monitor that is 19 inches or more;
- A video printer capable of immediately producing a clear still photo from any video camera image;
- Video cameras with a recording resolution of at least 704 x 480 which provide coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;

- A video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;
- A video camera in each grow room which can identify any activity occurring within the grow room in low light conditions;
- A method for storing video recordings from the video cameras for at least 30 calendar days;
- A failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;
- Sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage; and
- Security alarm to alert local law enforcement of unauthorized breach of security;
    - Implement security procedures that:
    - Restrict access of the establishment to only those Persons/employees authorized to be there;
    - Deter and prevent theft;
    - Provide identification (badge) for those Persons/employees authorized to be in the establishment;
    - Prevent loitering;
    - Require and explain electronic monitoring; and
    - Require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security

Colorado

Colorado Regulatory Landscape

In 2000 Colorado voters enacted Amendment 20 to the state constitution, which afforded certain protections from criminal prosecution for limited "medical use" of marijuana as that term is defined in the amendment. Beginning in 2008, commercial medical marijuana outlets began to appear in Colorado. In response, in 2010, the Colorado General Assembly enacted a comprehensive regulatory system governing medical marijuana establishments in the state.

In 2012, Colorado voters enacted Amendment 64 to the state constitution, which states the following acts are not unlawful and shall not be an offense under Colorado law or the law of any locality within Colorado or be the basis for seizure or forfeiture of assets under Colorado law for persons 21 years of age or older:

- Possessing, using, displaying, purchasing, or transporting marijuana accessories or one ounce or less of marijuana.

- Possessing, growing, processing, or transporting no more than six marijuana plants, with three or fewer being mature, flowering plants, and possession of the marijuana produced by the plants on the premises where the plants were grown, provided that the growing takes place in an enclosed, locked space, is not conducted openly or publicly, and is not made available for sale.

- Transfer of one ounce or less of marijuana without remuneration to a person who is twenty-one years of age or older.

- Consumption of marijuana, provided that nothing in this section shall permit consumption that is conducted openly and publicly or in a manner that endangers others.

- Assisting another person who is twenty-one years of age or older in any of the acts described in paragraphs (a) through (d) of this subsection.

Amendment 64 also directs the state General Assembly and the Colorado Department of Revenue to establish a comprehensive system of regulation and enforcement governing licensed marijuana businesses in the state. The Colorado Marijuana Enforcement Division ("**MED**") is the licensing and regulatory agency overseeing all retail and medical marijuana businesses in Colorado.

Licensed marijuana businesses in Colorado must have state and local approval for their license applications. Colorado state licenses are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by MED. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the licensed entities would expect to receive the applicable renewed license in the ordinary course of business.

USA Inc. through Left Bank, LLC in that state, only operates in Colorado cities or counties with clearly defined marijuana programs. Currently Left Bank, LLC has a location in Denver, Colorado.

Colorado License and Regulations

In the state of Colorado, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the Operating Company to make wholesale purchase of cannabis from another licensed entity within the state.

The Operating Company in Colorado, Left Bank LLC, has the requisite licenses to operate as Medical and Adult-Use product manufacturers under applicable Colorado and local jurisdictional law. Their licenses permit them to possess, process, dispense and sell medical and adult-use cannabis in the State of Colorado pursuant to the terms of the various licenses issued by MED under the provision of Amendment 20, Amendment 64, Colorado's Medical Marijuana Code, and Colorado's Retail Marijuana Code.

Under current Colorado law, no publicly traded company may have an ownership interest in a retail or medical marijuana establishment. In June 2018, Governor John W. Hickenlooper vetoed legislation that would have eliminated this prohibition. Renewed legislative efforts to eliminate that prohibition will be pursued in 2019.

Licenses

The Colorado Operating Company is licensed to operate in the state of Colorado as a Manufacturer of Infused Products (both medical and retail) and as a Cultivator of Marijuana (both medical and retail).

Under applicable laws, the licenses permit the Operating Company to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the Colorado MED under the provisions of Colorado Revised Statutes sections 12-43.3-101 *et seq*. and 12-43.4-101 *et seq*.

Presently, the types of licenses available in Colorado include:

- **Retail Marijuana Store**: license type necessary to operate a business that sells Retail Marijuana to an individual twenty-one years of age or older as described in section 12-43.4-402 C.R.S.
- **Retail Marijuana Cultivation**: license type necessary in order to operate a facility to grow and harvest Retail Marijuana plants as described in section 12-43.4-403 C.R.S.
- **Retail Marijuana Product Manufacturer**: license type necessary in order to operate a facility that manufactures retail marijuana-infused products such as edibles, concentrates or tinctures as described in section 12-43.4-404 C.R.S.
- **Retail Marijuana Testing Facility**: license type necessary in order to operate a facility that conducts potency and contaminants testing for other MED Licensed Retail Marijuana businesses as described in section 12-43.4-405 C.R.S.
- **Retail Marijuana Transporter**: license type necessary in order to provide transportation and temporary storage services to Retail Marijuana Businesses as described in section 12-43.4-406 C.R.S.
- **Retail Marijuana Operator**: license type necessary to provide professional operational services to one or more Retail Marijuana Businesses as described in section 12-43.4-407 C.R.S.
- **Medical Marijuana Center**: license type necessary to operate a business that sells Medical Marijuana to Colorado Medical Marijuana Registry Patients and Transporting Caregivers. Owners of this type of facility must also own and operate at least one Medical Marijuana Cultivation and produce a minimum of 70% of all on-hand inventory as described in section 12-43.3-402 C.R.S.
- **Medical Marijuana Optional Premises Cultivation**: license type necessary operate a cultivation business to grow and harvest Medical Marijuana. There are no Independent Medical Marijuana Optional Premises Cultivation ("**OPC**") Licenses - these facilities *must be* affiliated with either a Medical Marijuana Center or Infused Product Manufacturer facility as described in section 12-43.3-403 C.R.S.
- **Medical Marijuana Infused Product Manufacturer**: license type necessary to operate a business that produces Medical Marijuana Infused Products such as edibles, concentrates or tinctures. These licensees are only authorized to wholesale their products to MED licensed Medical Marijuana Centers as described in section 12-43.3-404 C.R.S.
- **Medical Marijuana Testing Facility**: license type necessary operate a facility that conducts potency and contaminants testing and research for MED Medical Marijuana business licensees as described in section 12-43.3-405 C.R.S.
- **Medical Marijuana Transporter:** license necessary in order to provide transportation and temporary storage services to MED Licensed Medical Marijuana Businesses as described in section12-43.3-406 C.R.S.
- **Medical Marijuana Operator**: license type necessary in order to provide professional operational services to one or more MED Licensed Medical Marijuana Businesses as described in section 12-43.3-407 C.R.S.

- **Medical Marijuana Research and Development Facility or Cultivation**: license necessary in order grow, cultivate possess and transfer marijuana for use in research only as described in section 12-43.3-408 C.R.S.

All marijuana establishments must register with the Colorado MED. If applications contain all required information and after vetting by officers, establishments are issued a license. In a local governmental jurisdiction that issues business licenses, the issuance by the Colorado MED of a marijuana license is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Licenses are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing.

Below is the list of licenses held by Left Bank LLC (4990 Oakland St, Denver, CO 80239):

Type of License	License No.	Effective Period
Medical Marijuana Infused Product Manufacturer (MED)	#404-00036	September 4, 2017 to September 4, 2018
Medical Marijuana Optional Premises (MED)	#403-01445	January 31, 2018 to January 31, 2019
Retail Marijuana Products Manufacturing (MED)	#404R-00010	January 1, 2018 to January 1, 2019
Retail Marijuana Cultivation Facility (MED)	#403R-00321	July 31, 2017 to July 31, 2018
Medical Marijuana Infused Product Manufacturing (Denver)	#2013-BFN-1068489 for 404-00036	October 12, 2017 to October 15, 2018
Medical Marijuana Optional Premises Cultivation (Denver)	#2014-BFN-1070612 for 403-01445	May 22, 2018 to May 28, 2019
Retail Marijuana Infused Products (Denver)	#2013-BFN-1069235 for 404R-00010	December 28, 2017 to January 1, 2019
Retail Marijuana Cultivation (Denver)	#2014-BFN-1074258 for 403R-00321	June 21, 2018 to June 17, 2019

Reporting Requirements

The state of Colorado uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees, whether directly or through third-party integration systems, are required to push data to the state to meet all reporting requirements. METRC captures the required data points for cultivation, manufacturing and retail as required in Colorado's Medical Marijuana Code, and Colorado's Retail Marijuana Code.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the Colorado Operating Company is required to do the following:

- have a single secure entrance;

- maintain a fully operational security alarm system;

- maintain a video surveillance system that records continuously 24 hours a day. Camera coverage is required for all places where weighing, packaging, processing, and transport preparation occur, all point-of-sale areas, all points of ingress and egress, and all areas where marijuana is displayed for sale;

- the recording system must record in digital format, and all video surveillance records and recordings must be stored in a secure area;

- all surveillance recordings must be kept for a minimum of 40 days and be in a format that can be easily accessed for viewing;

- video surveillance records and recordings must be made available upon request to regulators and law enforcement;

- at all points of ingress and egress, the company must use commercial-grade, non-residential door locks;

- not dispense from its premises outside of permissible hours of operation.

Maryland

Maryland Regulatory Landscape

In 2012, a State law was enacted in Maryland to establish a state-regulated medical marijuana program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission regulates the state program and awarded operational licenses in a highly competitive application process. 102 dispensary licenses were awarded out of a pool of over 800 applicants while an original 15 processing and 15 cultivation licenses were awarded out of a pool of over 150 applicants.

As of April 2018, there were over 20,000 registered and certified patients in Maryland's medical marijuana program and over 550 medical practitioners registered to certify patients as eligible. The program was written to allow access to medical marijuana for patients with any condition that is considered "severe" for which other medical treatments have proven ineffective, including chronic pain, nausea, seizures, glaucoma and PTSD. All major product forms are allowed for sale and consumption with the exception of some edibles. Some market estimates peg the medical market size to reach approximately US$221 million by 2021.

USA Inc. through Curio Wellness in that state, only operates in Maryland cities or counties with clearly defined marijuana programs. Currently Curio Wellness has locations in Timonium, Maryland.

Licenses

The Maryland Operating Company is licensed to operate in the state of Maryland as a Grower, a Processor, and a Dispensary. Under applicable laws, the licenses permit the Operating Company to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses.
Presently, the types of licenses available in Maryland include:

- Medical Cannabis Grower

- Medical Cannabis Processor
- Medical Dispensary
- Testing Laboratory

All marijuana establishments must register with Maryland Medical Cannabis Commission. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment license. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing.

Below is the list of licenses held by Curio:

Type of License	License No.	Effective Period
Medical Cannabis Grower	# G-17-00004	August 15, 2017 to August 15, 2019
Medical Cannabis Processor	# P-17-00003	August 15, 2017 to August 15, 2019
Medical Dispensary	# D-18-00012	February 22, 2018 to February 24, 2020

In April 2018, Maryland lawmakers agreed to expand the state's medical marijuana industry by awarding another 20 licenses, seven for cultivation and 13 for processing.

Maryland License and Regulations

In the state of Maryland, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the Operating Company to make wholesale purchase of cannabis from another licensed entity within the state.

The retail dispensary licenses and registration certificate permit the Operating Company to purchase marijuana from cultivation facilities, marijuana and marijuana Products from product manufacturing facilities and marijuana from other retail stores, and allows the sale of marijuana and marijuana Products to consumers.

The medical cultivation licenses permit the Operating Company to acquire, possess, cultivate, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana Products and/or medical marijuana-infused Products, or other medical marijuana cultivation facilities.

The medical Product manufacturing license permits the Operating Company to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana Products or marijuana infused Products to other medical marijuana production facilities or medical marijuana dispensaries.

Reporting Requirements

The state of Maryland uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. The chosen METRC system captures the required data points for cultivation, manufacturing and retail as required by the Maryland Medical Cannabis Commission (MMCC).

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the Operating Company is required to do the following:

- Be an enclosed, locked facility;

- Train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling Products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;

- Maintain a motion activated video surveillance recording system at all premises that:

  - Records all activity in images of high quality and high resolution capable of clearly revealing facial detail;

  - Operates 24-hours a day, 365 days a year without interruption; and

  - Provides a date and time stamp for every recorded frame.

- Post appropriate notices advising visitors of the video surveillance;

- Place and operate surveillance cameras to capture activity at each exit from the premises;

- Capture activity via surveillance camera at each entrance to an area where medical cannabis is processed, tested, packaged, and stored.

- Keep a recording of all images captured by each surveillance camera at the licensed premise and an off-site location.

- Ensure recordings of security video surveillance are access-limited, secured by a security alarm system that is independent of the main premises security alarm system, kept in an easily accessible format, and retained for 30 calendar days.

- Ensure lighting fixtures of the licensee are designed and installed to ensure proper surveillance.

- Maintain a security alarm system that covers all perimeter entry points and windows at all premises. This system shall be continuously monitored, capable of detecting smoke and fire, and capable of detecting power loss;

  - The security alarm system shall include panic alarm devices mounted at convenient, readily-accessible locations throughout the licensed premises.

  - A second, independent alarm system shall be used to protect to location where records are stored both on and off site, and any room that holds medical cannabis.

  - The security alarm system shall remain operational until the premises of the licensee no longer have any medical cannabis on the premises.

  - All security alarm systems shall be equipped with auxiliary power sufficient to maintain operation for at least 48 hours.

- Maintain physical security. An area of cultivation shall be securely surrounded by fencing and gates constructed to prevent unauthorized entry.

- Maintain fencing and gates ensuring they are equipped with a security alarm system that covers the entire perimeter, is continuously monitored, and is capable of detecting power loss.

  - Ensure the premises are protected by a video surveillance recording system that provides surveillance of the entire perimeter of the area of cultivation and surveillance over all portions of the security fence and all gates.

- Ensure the video surveillance system is supported by adequate security lighting which may be modified as necessary to include motion control sensors to protect light-dark cycles for proper cultivation.

- Ensure that the licensed dispensary contains a secure room to store the medical cannabis inventory. The secure room:

  - Shall be constructed of concrete or similar building material that prevents unauthorized entry;

  - May not be placed adjacent to an exterior wall of the premises; and

  - Shall have only one entrance door that Meets commercial security standards, is equipped with a cipher or chip-activated keyed lock or equivalent, and is not visible from public areas of the premises.

4.1(2) Principal Products or Services

Licensed Products and Distribution

USA Inc. has developed intellectual property and detailed standard operating procedures (forming part of the Dixie IP) to ensure Product consistency and quality, including proprietary formulations and commercial food manufacturing processes. This intellectual property is provided to qualified Operating Companies through a manufacturing and distribution license. Generally, the qualified Operating Companies will acquire an exclusive license for their respective state by paying an upfront license fee. The Operating Companies will also pay to USA Inc. an on-going packaging and proprietary ingredients fee for the rights to manufacture and distribute the DIXIE™ portfolio of Products within their defined territory. In addition, USA Inc. assists its Operating Companies in determining the regulatory requirements for packaging and labelling as well as providing packaging and labelling to its Affiliates. In order to increase DIXIE™ brand equity, USA Inc. develops and engages in field marketing programs to support brand expansion and consumer adoption of the Products. USA Inc. invests in constant innovation in order to keep the Product portfolio interesting and relevant in a growing consumer market.

Consulting Services

USA Inc. provides on-going consulting and support services to its Operating Companies. The Affiliate Support Team (which includes support in (i) production, (ii) logistics, (iii) regulatory compliance, (iv) purchasing and (v) science and innovation) ensures affiliates have the resources, support and training they need to be successful in their operations and production scaling objectives. The Quality Assurance and Compliance team ("**QA**") constantly works to insure consistency of DIXIE™ Products through QA audits of the Operating Companies' manufacturing and Product quality as well as ongoing consulting on process improvement. USA Inc. also assists its Operating Companies in navigating their complex state-based regulatory structures.

Facilities Leasing

USA Inc. provides equipment leasing options to Operating Companies, on an as-needed-basis. Lease schedules are between six and twelve months at market rates, and are renewed as needed.

Operator Financing

USA Inc. provides lines of credit under revolving promissory notes to Operating Companies, as needed, to aid with the funding of inventory-build, raw material purchase, and working capital. Typical lines of credits mature within twelve months of the execution of the promissory note and the interest is at market rate.

4.1(3) <u>Production and Sales</u>

a) *The method of production of Products*

USA Inc. has formulations and standard operation procedures to ensure consistent commercial production of its Operating companies. This includes the development and sourcing of packaging and raw materials. Additionally, our Affiliate support team provides training and consulting services to ensure compliance under USA Inc. standard operating procedures.

b) *The payment terms, expiration dates and terms of renewal options of material leases or mortgages.*

USA Inc. and its subsidiaries currently hold separate leases on Health Department certified facilities in Denver, Colorado. The leases expire on November 30, 2018 with renewal options through 2025.

c) *Specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer*

For nearly a decade, USA Inc. has pioneered new extraction techniques and Product development technology to aid in specific cannabinoid isolation for use in trendsetting infused Products in various formats. These techniques have paved the way for the evolution of infused products by way of new cannabinoid-specific ratios that more accurately target the unique ailments of the patient or consumer. Our research and execution of these cannabinoid ratio Products accounts for several top revenue-generating and award-winning product categories in the Dixie Brands line up.

USA Inc. has written, vetted, and implemented nearly 250 proprietary Standard Operating Procedure ("**SOP**") documents to assist our affiliate network in infusing and producing premium, safe and constant cannabis-based Products in compliance with each state's individual regulations while delivering on Dixie's brand promise. In addition, Dixie's SOP database includes procedures for complaint and efficient oversight of an infused-Product manufacturing facility. These facility-based procedures include extraction methods, maintenance, security, and other good manufacturing procedures.

d) *The sources, pricing and availability of raw materials, component parts or finished products*

As an integral component of Dixie Brands' IP, USA Inc. has researched, developed, and implemented a suite of federally certified child resistant packaging options to satisfy each of our product categories. These solutions, some proprietary and award-winning, have acted as a key component to Dixie's expansion into new markets and helps our affiliate partners navigate the regulatory landscape with speed and confidence as it relates to packaging and safety.

The procurement and logistics arm of USA Inc. ensures timely and consistent delivery of packaging and non-THC raw materials to affiliates in states where Dixie Products are manufactured and sold. This model allows for purchasing power with our vendors and results in a seamless brand identity and product continuity as we expand. Due to state regulation, THC-containing material must be grown, sourced and manufactured from the individual state where the finished goods are being produced.

e) *The importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks*

Since 2009, USA Inc. has been widely recognized as the global industry leader in developing safe, consistent, and innovative cannabis-infused Products. This leadership in conjunction with the company's commitment to working side-by-side the state and federal regulatory agencies has allowed Dixie Brands to grow from a foundation built on trust and integrity.

This commitment to our consumers and the industry as a whole has enabled USA Inc. to establish tremendous equity within the Dixie Brand. This tought-leadership has resulted in numerous national and global media exposés in outlets such as MSNBC, The Today Show, 60 Minutes, and The New York Times. As Dixie's Brand portfolio continues to expand so does its reputation as the worldwide leader in global cannabis expansion.

Therabis and Aceso each hold unique patent claims to support their Product lines. The Therabis chewable patent claims a chewable supplement for pets that consists of one or more layers and contains one or more cannabinoids and nutritional supplements such as vitamins and Green Lipped Mussel. The Aceso patent claims a powder containing one or more cannabinoids, vitamins, and plant or herbal extracts that when combined with water forms a stable effervescent emulsion.

f) *The extent to which the business of the segment is cyclical or seasonal*

Dixie Brands Product portfolio represents a quiver of Products that account for seasonal changes in food preferences and unique tourism draws in each market.

Colorado's peak seasons include the summer months (June-August) and late winter/early spring (January-April). This seasonality directly reflects the ebb and flow of the Colorado tourism market and the influx of out-of-state consumers to take part in ski season, summer events, and recreation-based travel. Dixie's Product line contains Products that lend themselves well to this seasonal shift. Our portfolio includes beverages and confections in line with warm weather activity for the summer as well as drink additives and chocolates that attract consumers during the winter.

Nevada's revenue stream tends to be more consistent with less seasonality than other markets. This is due to the steady influx of tourists entering the city of Las Vegas each day. Las Vegas' unique market is an exciting opportunity due to the nearly 40 million people that visit annually. As cannabis education and awareness increases, so does the interest from the city's revolving door of patrons.

In late 2017, Maryland's medical marijuana market was birthed and has proven to be a key market for the cannabis industry. The state of Maryland has issued nearly 20,000 licenses to patients who are using cannabis to treat conditions such as chronic pain, several nausea, and muscle spasms. Patient education has blossomed over the last two years in this market and continues to drive steady revenue for our elixir, topical, and mints categories.

Northern California's seasonality closely mirrors that of Colorado due to the interest from recreational enthusiasts. Dixie's broad Product portfolio meets the need of these consumers by encouraging use of specific products for certain times of the year, activities, and needs. California's southern territory represents a more consistent market for the portfolio as a whole.

As we expand into new emerging markets such as Massachusetts, Michigan, Florida, Pennsylvania, and Oregon, Dixie's broad Product portfolio and seasonal offerings will help form a unique strategy for each region.

g) *Any aspect of the USA Inc. or Resulting Issuer's business that may be affected in the 12 months following the date of this Listing Statement by renegotiation or termination of contracts or subcontracts and the likely effect.*

None anticipated.

h) *The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Resulting Issuer.*

None anticipated.

i) *The number of employees, as at the most recent financial year end.*

As at the 2017 year end, USA Inc. and its subsidiaries employed 25 people. Presently, USA Inc. and its subsidiaries employ a total of 35 people.

j) *Any risks associated with foreign operations of the Resulting Issuer and any dependence of segments upon the foreign operations.*

The Resulting Issuer will have operations in the U.S. through the Operating Companies. There are various risks associated with operations in the U.S. as detailed in Item 17 – *"Risk Factors"*.

k) *Description of any contracts upon which the business is substantially dependent.*

USA Inc. is materially dependent on the licensing agreements it has with its Operating Companies. If one or more of these companies ceases production, then USA Inc. would need to find another licensed manufacturer within that state to continue operations and hit target revenue goals. See Item 17 – *"Risk Factors"*.

Currently, USA Inc. holds licensing agreements with Left Bank, LLC (Colorado), Curio Wellness (Maryland), Indus Distribution (California), and Silverstate Wellness (Nevada).

l) *Description of any aspect of the business that is reasonably expected to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.*

USA Inc. is currently reviewing its partnership with the California Operating Company, Indus, that is anticipated to allow for greater revenue generation and brand presence throughout the state. This is anticipated to result in significantly higher revenue recognized in 2018 by USA Inc.

4.1(4) Competitive Conditions and Position

The cannabis industry is still in many respects a "cottage industry" with few national brands or companies. Many competing companies are small, undercapitalized and have a limited Product set. We expect larger and better funded companies to emerge in the coming years. See Item 17 – *"Risk Factors"*.

4.1(5) Lending and Investment Policies and Restrictions

The Resulting Issuer will review future opportunities on an individual basis in the context of its general business practices and goals. Specific lending and investment policies will be developed on an as needed basis and in conformity with the Resulting Issuer's plans to expand the DIXIE™ brand and line of Products.

4.1(6) Bankruptcy and Receivership

Neither Academy nor USA Inc. has been the subject of any bankruptcy or any receivership or similar proceedings against it or its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by it or its subsidiaries, within the three (3) most recently completed financial years or the current financial year.

4.1(7) Material Restructuring

Except for the proposed Amalgamation described above, neither Academy nor USA Inc. has been subject to any material restructuring transaction within the three (3) most recently completed financial years nor is it proposing any material restricting transaction for the current financial year other than the Amalgamation.

4.2 Asset Backed Securities

Neither Academy nor USA Inc. have any asset backed securities.

4.3 Companies with Mineral Projects

Neither Academy nor USA Inc. have any mineral projects.

4.4 Companies with Oil and Gas Operations

Neither Academy nor USA Inc. have any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Consolidated Financial Information – Annual Information

Resulting Issuer Balance Sheet

The following table sets out certain financial information as at June 30, 2018 after giving effect to the Amalgamation as if it had been completed on that date. Such information is derived from and should be read in conjunction with the *pro forma* financial statements and the notes thereto attached hereto as SCHEDULE A–*"Pro Forma Financial Statements"*.

	Academy (Unaudited) ($)	USA Inc. (Unaudited) ($)	Pro Forma Adjustments (Unaudited) ($)	Resulting Issuer Pro Forma (Unaudited) ($)
Current Assets	263,760	5,624,453	23,625,000	5,888,212
Long Term Assets	0	3,692,709	0	3,692,709
Total Assets	**263,760**	**9,317,162**	23,625,000	**33,205,922**
Current Liabilities	4,763	9,426,920	(1,375,000)	8,056,683
Long Term Liabilities	0	47,930	0	47,930
Total Liabilities	**4,763**	9,474,850	(1,375,000)	**8,104,613**
Shareholders' Equity	**258,997**	**(157,688)**	25,000,000	**25,101,309**

Resulting Issuer Annual Financial Information

The following table sets forth selected financial information for the Resulting Issuer on a consolidated basis for the years ended 2017 and 2016 and selected statement of financial position data as at March 30, 2018 and June 30, 2018. Such information is derived from the financial statements of Academy and USA Inc. and should be read in conjunction with such financial statements. See SCHEDULE B – *"Financial Statements of Academy"* and SCHEDULE D – *"Financial Statements of USA Inc."*

	Six Months Ended June 30, 2018 (unaudited)	Three Months Ended March 30, 2018 (unaudited)	Year Ended December 31, 2017 (unaudited)	Year Ended December 31, 2016 (unaudited)
Revenue	1,757,658.80		3,362,375.44	2,383,705.08
Total Expenses	3,769,941		7,422,208	6,446,278
Net loss and total comprehensive loss for the period	(2,012,282)		(4,059,833)	(4,062,573)
Basic and diluted loss per common share	(0.02		(0.04	(0.04
Cash and short-term investments	2,627,290		239,474	1,023,868
Total assets	9,580,921		6,544,648	6,203,447
Total long-term liabilities	47,930		864,861	1,390,513
Cash dividends per common share	Nil		Nil	Nil

5.2 Consolidated Financial Information – Quarterly Information

The results for each of the eight most recently completed quarters ending at the end of the most recently competed fiscal year, namely December 31, 2017, are summarized below:

	Fiscal 2017			
	Q4	Q3	Q2	Q1
Revenue	945,658	942,884	823,534	655,184

Net Income (loss)	(1,198,828.05)	(1,206,805.54)	(673,157.05)	(794,159.06)
Basic and diluted income (loss) per common share	(0.01	(0.01	(0.01	(0.01)

5.3 Dividends

The future payment of dividends will be dependent upon the financial requirements of the Resulting Issuer to fund further growth, the financial condition of the Resulting Issuer and other factors which the Resulting Issuer's Board of Directors may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all.

5.4 Foreign GAAP

Not Applicable

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Academy's MD&A for the year ended April 30, 2018 and 2017 are attached to this Listing Statement as SCHEDULE C – *"Management Discussion and Analysis of Results of Academy"*. USA's Management's Discussion and Analysis for the year ended December 31, 2017 and for the six (6) month period ended June 30, 2018 is attached hereto as SCHEDULE D – *"Management Discussion and Analysis of Results of USA Inc."*

7. MARKET FOR SECURITIES

The common shares of Academy are not listed or traded on any exchange, however, Academy is a reporting issuer in Ontario. The securities of USA Inc. are not listed or traded on any exchange. USA Inc. is a private Delaware Corporation.

8. CONSOLIDATED CAPITALIZATION

The outstanding capital of the Resulting Issuer subsequent to the Amalgamation will consist of:[23]

(a) approximately 118,679,998 SVS;

(b) 500,000 NPV Shares;

(c) 100,000 Options to purchase one SVS at an exercise price of C$0.08 *per* SVS exercisable until July 5, 2021;

(d) 17,056,733 Options to purchase one SVS at an exercise price of C$0.66 *per* SVS exercisable until September 30, 2028;

(e) approximately 28,312,938 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of approximately C$1.74 *per* share until October 1, 2023;

[23] Amounts are approximate, based on the current value of US$ and C$ and do not include rounding that will occur with respect to not issuing fractional shares.

(f) approximately 3,293,978 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.23 *per* share until April 1, 2023;

(g) approximately 2,911,526 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.11 *per* share until April 1, 2023;

(h) approximately 290,218 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.44 *per* share until March 8, 2023;

(i) approximately 210,700 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$1.87 *per* share until June 2, 2022; and

(j) approximately 175,586 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$1.87 *per* share until November 23, 2021.

9. OPTIONS TO PURCHASE SECURITIES

In connection with the Amalgamation, the Resulting Issuer has adopted an equity incentive plan (the "**Incentive Plan**"). Under the Incentive Plan, Officers, employees, Directors and consultants may be granted a variety of incentives, including stock options, stock grants and non-equity tracking awards. The maximum number of SVS which can be reserved for issuance under the Incentive Plan is 20% of the number of issued and outstanding SVS of the Resulting Issuer immediately upon consummation of the Amalgamation. The Resulting Issuer's Board of Directors will determine which eligible recipients of the Resulting Issuer and its subsidiaries (including consultants) are entitled to participate in the Incentive Plan, the number of options or other awards granted to such individuals, the date on which each option or other award is granted and the corresponding exercise price.

The following table sets out all Options of the Resulting Issuer that will be outstanding after the completion of the Transaction in connection with the Amalgamation:

	Category of Option Holder	Number of Options to Acquire SVS Held as a Group
(a)	All proposed officers and directors of the Resulting Issuer	9,207,590
(b)	Former officers and directors of the Resulting Issuer	100,000
(c)	All consultants as a group	Nil.
(d)	All other persons or companies	7,849,143
TOTAL NUMBER OF OUTSTANDING OPTIONS		**17,156,733**

The following table provides information as to material provisions of the Options of the Resulting Issuer that will be outstanding immediately subsequent to the Transaction:

Date of Grant	Number of Options	Exercise Price	Expiry Date
July 5, 2018	100,000	C$0.02	July 5, 2021

Date of Grant	Number of Options	Exercise Price	Expiry Date
September 30, 2018	17,056,733	C$0.66	September 30, 2028
TOTAL	**17,156,733**		

10. DESCRIPTION OF THE SECURITIES

10.1 <u>Description of the Resulting Issuer's Securities</u>

The Resulting Issuer will be authorized to issue an unlimited number of SVS without par value and an unlimited number of NPV Shares without par value. Immediately subsequent to the Amalgamation approximately 118,679,998 SVS; will be issued and outstanding as fully paid and non-assessable and 500,000 NPV Shares will be issued and outstanding as fully paid and non-assessable. A further 58,843,083 SVS will be reserved and allotted for issuance upon the due and proper exercise of the Resulting Issuer's Options and Warrants, including Options that may be issued pursuant to the Incentive Plan.

There are 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 security holder to contribute additional capital.

Each SVS entitles the holder thereof to (i) receive dividends if and when declared by the board, (ii) notice of shareholders meetings, (iii) the right to one (1) vote, in person or by proxy at any such shareholders meeting and (iv) a *pro rata* right to the assets of the corporation on wind-up.

Each NPV Share entitles the holder thereof to notice of shareholders meetings and the right to one hundred (100) votes, in person or by proxy at any such shareholders meeting on the same terms as the SVS. The NPV Shares do not have any rights to dividends or to the distribution of assets on wind-up.

Six different series of Warrants will be outstanding on completion of the Transaction:

(a) approximately 28,312,938 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of approximately C$1.74 *per* share until October 1, 2023;

(b) approximately 3,293,978 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.23 *per* share until April 1, 2023;

(c) approximately 2,911,526 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.11 *per* share until April 1, 2023;

(d) approximately 290,218 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$0.45 *per* share until March 8, 2018;

(e) approximately 210,700 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$1.87 *per* share until June 2, 2022; and

(f) approximately 175,586 Warrants, with each Warrant entitling the holder thereof to acquire one additional SVS at a price of C$1.87 *per* share until November 23, 2021.

Additionally, 100,000 Options granted to past directors and officers of Academy will remain outstanding exercisable for C$0.08 *per* SVS and 17,056,733 Options exercisable for C$0.66 *per* SVS will be outstanding representing USA Options exchanged for Options pursuant to the Transaction.

Coattail Provisions

Under applicable Canadian law, an offer to purchase NPV Shares would not necessarily require that an offer be made to purchase SVS. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of SVS will be entitled to participate on an equal footing with holders of NPV Shares. The holding company holding all the outstanding NPV Shares will enter into a customary coattail agreement with all of its shareholders, the Resulting Issuer and a recognized trustee (the "**Coattail Agreement**"). Shares of the holding company may, at any time, only be held by employees of OpCo. The Coattail Agreement contains provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of SVS of rights under applicable provincial take-over bid legislation to which they would have been entitled if the NPV Shares had been SVS.

The undertakings in the Coattail Agreement do not apply to prevent a sale by any holder of NPV Shares if concurrently an offer is made to purchase SVS that:

(a) offers a price per SVS at least as high as the highest price per share paid pursuant to the take-over bid for the NPV Shares;

(b) provides that the percentage of outstanding SVS to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of NPV Shares to be sold (exclusive of NPV Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);

(c) has no condition attached other than the right not to take up and pay for SVS tendered if no shares are purchased pursuant to the offer for NPV Shares; and

(d) is in all other material respects identical to the offer for NPV Shares.

In addition, the Coattail Agreement does not prevent the transfer of NPV Shares by a holder to a permitted holder. The conversion of NPV Shares into SVS, whether or not such SVS are subsequently sold, would not constitute a disposition of NPV Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of NPV Shares (including a transfer to a pledgee as security) by a holder of NPV Shares party to the agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred NPV Shares are not automatically converted into SVS in accordance with the terms of the NPV Shares.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the SVS. The obligation of the trustee to take such action is conditional on the Resulting Issuer or holders of the SVS, as the case may be, providing such funds and indemnity as the trustee may require. No holder of SVS has the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding SVS and reasonable funds and indemnity have been provided to the trustee. The Resulting

Issuer has agreed to pay the reasonable costs of any action that may be taken in good faith by holders of SVS pursuant to the Coattail Agreement.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of SVS and 66-2/3% of the votes cast by holders of NPV Shares excluding votes attached to SVS, if any, held by the holders of NPV Shares, their affiliates and any persons who have an agreement to purchase NPV Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of SVS under applicable law.

10.2 – 10.6 Miscellaneous Securities Provisions

None of the matters set out in items 10.2 to 10.6 of CSE Form 2A are applicable to the share structure of the Resulting Issuer.

10.7 Prior Sales of Academy Shares

Academy

Academy has 26,567,234 Academy Shares issued and outstanding and 400,000 options to purchase Academy Shares with an exercise price of $0.02, expiring July 5, 2021.

The following tables set forth the issuances of securities of Academy within the last twelve (12) months before the date of this Listing Statement.

Date Issued	Number of Securities	Issue Price per Security ($)	Aggregate Issue Price ($)	Nature of Consideration
July 5, 2018	25,000,000 Academy Shares	C$0.02	C$500,000	Cash

USA Inc.

USA Inc. has authorized 15,000,000 USA Shares, of which 10,634,989 USA Shares have been issued, and has authorized 1,300,000 shares of USA Preferred Stock, none of which are currently outstanding and 1,619,054 USA Options to purchase one USA Share with an exercise price of US$6.98, expiring September 30, 2028.

For matters submitted to a vote of all stockholders, USA Shareholders are entitled to one (1) vote for each share registered on the books of USA Inc. The USA Shares do not have cumulative voting rights. Each USA Share is entitled to share equally with each other US Share in dividends from sources legally available therefore, when, as, and if declared by the board and, upon liquidation or dissolution of USA Inc., whether voluntary or involuntary, to share equally in the assets that are available for distribution to the holders of the common stock. The board is authorized to issue USA Shares and US Preferred Stock within the limits authorized by the company's Certificate of Incorporation only upon the consent of at least 75% of the existing stockholders.

The following tables set forth the issuances of securities of USA Inc. within the last twelve (12) months before the date of this Listing Statement.

Date Issued	Number of Securities	Issue Price per Security ($)	Aggregate Issue Price ($)	Nature of Consideration
April 17, 2018	1,090,245 USA Preferred Stock	US$3.668	US$4 million	Cash
October 1, 2018	2,687,512 USA Units	US$9.30	US$25 million[24]	Cash

10.8 Stock Exchange Price

The Resulting Issuer's SVS are not currently listed for trading on any exchange or market.

11. ESCROWED SECURITIES

Since the total outstanding equity of the Resulting Issuer is valued at greater than C$100 million, principals of the Resulting Issuer will not be required to enter into escrow arrangements with respect to their holdings subsequent to listing. The Resulting Issuer will be classified as an exempt issuer as defined in NP 46-201 due to its value that was established in the Series C Financing.

12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of each of Academy and USA Inc., as of the date hereof, the following Persons will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer:

Name and Municipality of Residence of Shareholder	Type of Ownership	Number and Percentage of Securities Owned
Management HoldCo(1)	Directly	500,000 NPV Shares (100%)
Charles Smith (Denver, CO)	Indirectly(1)	300,000 NPV Shares (60%)
C.J Chapman (Denver, CO)	Indirectly(1)	200,000 NPV Shares (40%)

Notes:

(1) Management HoldCo will hold all of the issued and outstanding NPV Shares. Management HoldCo is owned 60% by Charles Smith and 40% by C.J. Chapman. On a permanent Chief Financial Officer joining the Resulting Issuer, Mr. Chapman will transfer 50% of his holding in Management HoldCo to the Chief Financial Officer. The resulting ownership of Management HoldCo will be 60% Chief Executive Officer, 20% Chief Financial Officer and 20% General Counsel and Secretary.

Voting Trusts

To the knowledge of Academy and USA Inc., no voting trust exist such that more than 10% of any class of voting securities of the Resulting Issuer will be held, or are to be held, subject to any voting trust or other similar agreement.

Associates and Affiliates

To the knowledge of the Resulting Issuer, none of the Principal Shareholders is an Associate or Affiliate of any other Principal Shareholder.

[24] Includes the conversion of US$1,925,000 of outstanding debt for USA Units at the offering price.

13. DIRECTORS AND OFFICERS

13.1 – 13.5 Directors and Officers

The following table lists the names, municipalities of residence of the directors and officers of the Resulting Issuer, their positions and offices with the Resulting Issuer, their principal occupations during the past five (5) years and the number of securities of the Resulting Issuer each will beneficially own, directly or indirectly, or over which control or direction will be exercised. The Resulting Issuer's Board of Directors was approved by the holders of Academy Shares at the Meeting. The directors will hold office until the next annual general meeting of the Shareholders.

Name & Municipality of Residence	Present Occupation and Positions Held During the Last Five Years	Position with the Resulting Issuer	Securities of Resulting Issuer Beneficially Held(1)(2)	Percentage Beneficially Held
Charles Smith(3) Denver, Colorado	Director, President and Chief Executive Officer, USA Inc. President, Bella Terra Realty Holdings President, Sagebrush Realty Development	Director, Chief Executive Officer	10,189,736 SVS 300,000 NPV Shares 4,077,045 Options	8.59% 60% 2.3%
Brian Graham(4) Atlanta, Georgia	Director, USA Inc. Founder, Rise Investments International President of Asheville Distilling Company Co-Manager, Hawaii Sea Spirits Board Member, Georgia Chamber Board Member and Treasurer, Professional Beauty Association President, Manufacture's Leadership Council	Director	1,264,200 SVS(6)	2.03%
Melvin Yellin(4) New York, New York	Director, USA Inc. Founder, Acreage Holdings Partner, Tandem Global Partners Partner, Executive Vice president and General Counsel, Bankers Trust Company Director, Symbol Technologies, Inc. President, National Association of Corporate Directors (New York Chapter) Member, New York Clearing House GC Committee	Director	1,064,035 SVS	0.90%
Devin Binford(3) New York, New York	Director, USA Inc. Managing Member, Acreage Holdings Director, Tandem Global Partners (Investment Banking Division) Manager, The Blackstone Group (Corporate Finance Group)	Director	347,655 SVS	0.29%
Vincent "Tripp" Keber, III Denver, Colorado	Consultant, USA Inc. Founder, Dixie Elixirs and Edibles Board Member, National Cannabis Industry Association Board Member, Marijuana Policy Project Advisory Board Member, Medical Marijuana Industry Group Chief Operating Officer, Bella Terra Resort Development Company	Director	4,526,257 SVS 4,077,045 Options	3.81% 2.3%

	Executive Vice President, Sagebrush Realty Development (Business Development)			
Michael Lickver(3)(4) Toronto, Ontario	Executive Vice President, Auxly Cannabis Group Inc. Lawyer, Bennett Jones LLP Canadian Editor, International Cannabis Law Journal Adjunct Professor, Western Law Director, UJA Federation of Greater Toronto (Arts and Culture Committee)	Director	42,140 SVS	0.04%
Hugo Alves Toronto, Ontario	President, Auxly Cannabis Group Inc. Partner, Bennett Jones LLP Director, Canadians for Fair Access to Medical Marijuana	Director	42,140 SVS	0.04%
CJ Chapman Denver, Colorado	General Counsel and Secretary, USA Inc.	General Counsel and Secretary	200,000 NPV Shares 1,053,500 Options	40% 0.6%
James Feehan Denver, Colorado	Interim Chief Financial Officer	Interim Chief Financial Officer	0	0%

Notes:

(1) Securities beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date of this Listing Statement, based upon information furnished to the Resulting Issuer by the above individuals.

(2) All officers and directors of the Resulting Issuer hold an aggregate of 16,318,916 of the SVS (approximately 13.75%).

(3) Members of the Audit Committee. A member of an audit committee is independent if the member has no direct or indirect material relationship with the Resulting Issuer, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements. Other than Charles Smith, each member of the Audit Committee is independent within the meaning of National Instrument 52-110 *Audit Committees*. Each member of the Audit Committee is financially literate within the meaning of National Instrument 52-110 *Audit Committees*.

(4) Members of the Executive Compensation Committee.

(5) In addition to the Audit Committee and the Executive Compensation Committee, upon listing, the Resulting Issuer intends to create additional board committees in order to enhance corporate governance.

(6) Brian Graham holds his share indirectly through Rise Investments International II Series Y, LLC, and Rise Investments International II Series 7.

13.6 – 13.9 Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies

No director of the Resulting Issuer:

(a) is, at the date of this Listing Statement, or has been, within ten (10) years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company, including any personal holding company of such director, chief executive officer or chief financial officer that:

(i) while that Person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

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

(b) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director or executive officer of any company (including the Resulting Issuer and any personal holding company of such director or executive officer) that, while that Person was acting in that capacity, or within a year of that Person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Charles Smith who acted as an independent director of CannaSecurity America ("**CannaSecurity**"), a U.S. Resulting Issuer that filed for bankruptcy protection under Chapter 7 of the Title 11 of the United States Code on April 30, 2018. Mr. Smith stepped in as a Director at a time when CannaSecurity was financially struggling. He worked with management in an attempt to restructure the company but market conditions did not allow the company to recover; or

(c) nor any personal holding company has, within 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such Person or their personal holding company.

No director of the Resulting Issuer has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

13.10 Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Resulting Issuer also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Resulting Issuer have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Resulting Issuer will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies provided under OBCA.

13.11 Management

Brief descriptions of the biographies for all the officers and directors of the Resulting Issuer are set out below:

Charles Smith (Director, President and Chief Executive Officer). Charles "Chuck" Smith is the President and Chief Executive Officer for USA Inc., the parent company of the Dixie Elixirs & Edibles brand, as well as Therabis, and Aceso Wellness, two of the leading hemp supplement brands. As one of two original founders of USA Inc., Chuck helped the company grow from a "garage operation" to a 27,000 square foot state-of-the-art, vertically integrated manufacturing facility that was the first-of-its-kind for the marijuana industry.

Prior to building USA Inc. and the Dixie brand, Chuck was President of Bella Terra Realty Holdings where he oversaw all aspects of the Bella Terra Resort Development Company. He was also President of Sagebrush Realty Development and responsible for developing, selling and managing residential condominium projects valued at over $85 million in revenues.

Chuck has over twenty-five (25) years of experience in a variety of industries. He has a strong financial background, holding the position of Chief Financial Officer for a mid-sized retail apparel chain and has built and managed sales and marketing teams for private and publicly traded technology companies.

Chuck has a Bachelor's degree in Accounting from the University of Maryland and an MBA from the Owen Graduate School at Vanderbilt University. Mr. Smith is married and lives in Denver, Colorado. He actively participates in a wide variety of philanthropic organizations and is an avid golfer.

Brian Graham (Director). Brian Graham served as Chief Executive Officer and Board Member of NIOXIN Research Laboratories, Inc., a global leader in the manufacturing of hair care products. During his tenure from 2003 to 2010, Graham transitioned the company from a privately held regional consumer products business to a dominant global company recently acquired by Procter & Gamble. Under Brian's leadership, the company's revenues doubled and its EBITDA increased from US$1M to US$17M. Brian led the company through a rapid profitable growth phase expanding both the company's product portfolio as well as its geographical reach.

After NIOXIN's acquisition by Procter and Gamble, Brian became a member of the P&G Salon Professional Lead Team. He continued to lead the business and the integration efforts as NIOXIN's CEO, exceeding acquisition economics by over $20 million and led several key initiatives for the business. As result, Graham received the Platinum Power of You Award from the Division President.

In 2010, Graham began investing in a variety of business across many industries. These include, big data, technology, real estate, business services, a multi-family office (Pathstone) and Fleetwood's on Front Street (Maui) with Mick Fleetwood. In addition, Graham founded Blue Ridge Spirits and served as President of Asheville Distilling Company.

In 2014, Graham founded Rise Investments International, a company focused on providing growth equity, debt financing and management resources for closely held businesses ranging from start-ups to mid-cap enterprises. Recent transactions include Hawaii Sea Spirits, PlaySight, USA Inc., Tennis Media Company, and Gozio Inc.

In 1992, Graham received his Bachelor of Science degree from Georgia Southern University. He has also attended Executive Programs at the University of Michigan and in 2002 completed the Program for Management Development at Harvard University.

Graham is a high-energy entrepreneur who loves adventure professionally and personally. He enjoys investing and advising high growth companies and is a highly-engaged leader who enjoys creating talented collaborative teams.

He is a member of Young Presidents Organization, the Harvard Business Club, the Alpha Tau Omega fraternity and serves on numerous for-profit and non-profit boards. Currently, he serves as Co-Manager of Hawaii Sea Spirits and as a Board Member of USA Inc. Previous appointments include the Georgia Chamber, board member and Treasurer of the Professional Beauty Association, Past President of the Manufacture's Leadership Council. Graham enjoys supporting various philanthropic efforts including serving on the Board of Trustees for Maui Preparatory Academy and the Graham Family Foundation.

Brian resides in Atlanta, Georgia and Maui, Hawaii. He has three children Amanda, Amelia and Angelina. In his leisure time he enjoys to travel, snow skiing, diving and exercise.

Melvin Yellin (Director). Mr. Yellin is a Founder of Acreage Holdings, a vertically integrated cannabis company licensed in 12 states. He is also currently a director of USA Inc., having previously been a partner at Tandem Global Partners, which was a globally focused money manager that offered investment services to sophisticated institutions and individuals, focusing primarily on alternative investment strategies.

Prior to joining Tandem. Mr. Yellin spent the bulk of his career at Bankers Trust Company and was a Partner, Executive Vice President and General Counsel when it merged with Deutsche Bank. He had global responsibility for over 350 professionals and served on the Bank's Risk Committee, New Business Committee and its Investment Banking Management Committee, which included the significant Venture Capital business.

Mr. Yellin was a member of the Symbol Technologies, Inc. (NYSE) Board of Directors (Audit, Compensation and Governance Committees) as well as a director of numerous privately held companies and not-for-profits. Symbol was the world's premier developer of bar code and RFID software and hardware. Symbol was later successfully sold to Motorola.

During his career, Mr. Yellin has acted as chairman, speaker and author for numerous business organization programs including those run by the Conference Board, the NACD, Columbia Business School (ODX) and the Wisconsin School of Business. Mr. Yellin served as the President of the New York Chapter of the National Association of Corporate Directors and a member of the New York Clearing House GC Committee.

He was selected for "Who's Who in American Law," The International "Who's Who of Contemporary Achievement" and the "International Directory of Distinguished Leadership".

Devin Binford (Director). Mr. Binford is a Managing Member of Acreage Holdings. Mr. Binford is a seasoned finance executive with extensive financing and transaction experience. He has been involved with the legal cannabis industry since 2011, focusing primarily on sourcing, evaluating and investing in licensed dispensaries, cultivation centers, processing facilities, edibles manufacturers, alternative dosage forms companies and real estate.

Prior to his role at Acreage Holdings, Mr. Binford worked as a Director in the Investment Banking Division at Tandem Global Partners where he was responsible for analyzing principal and debt investments as well as portfolio management. Before attending Columbia, Mr. Binford was a Manager in the Corporate Finance Group at The Blackstone Group.

Presently, Mr. Binford serves on the Board of Directors of USA Inc.

Mr. Binford graduated from Columbia University with an MSc in Real Estate Development and concentration in Real Estate Finance; he earned a B.B.A. in Finance and Computer Information Systems from James Madison University.

Vincent "Tripp" Keber, III (Director). As one of two original founders of the Dixie Elixirs and Edibles company, Colorado's premiere licensed marijuana infused Products manufacturer (MIPS), Tripp Keber is widely hailed as one of the cannabis industry's indispensable leaders. He presently serves as a consultant to USA Inc. He is also a founding member and current board director of the National Cannabis Industry Association. Additionally since 2013, he has served as a Board Member of the Marijuana Policy Project as well as an Advisory Board member of the Medical Marijuana Industry Group in Colorado.

Prior to building USA Inc. into a leader in the cannabis industry, Tripp served as Chief Operating Officer for Bella Terra Resort Development Company, and EVP of Business Development for Sagebrush Realty Development.

He has a B.S. in Political Science from Villanova University and currently resides in both Aspen and Denver with his family. While he is involved in several charitable organizations located within his community, his greatest philanthropic passion is assisting in the research and development of cannabis support for veterans suffering from PTSD.

Mike Lickver (Director). Mike Lickver is the Executive Vice President of Strategy of Auxly Cannabis Group Inc. (TSX-V: XLY), a vertically integrated Canadian cannabis company. Prior to joining Auxly, Mike was a corporate and commercial lawyer at a large international Bay Street law firm where he co-founded the cannabis practice in 2013 and helped grow it into a global leader. As one of Canada's leading advisors in the cannabis industry, he has represented a variety of global industry participants and has played a key role in a wide variety of domestic and international corporate and commercial transactions since the inception of the cannabis industry in Canada. Mike speaks frequently at conferences across the globe on topics related to the cannabis industry and, a frequent author to the industry, is also the Canadian Editor of the International Cannabis Law Journal. Mike is also an adjunct professor at Western Law where he teaches "Cannabis Law and Practice", a course he designed and developed, the first of its kind in Canada. Mike also sits on the board of directors of the Arts and Culture Committee for the UJA Federation of Greater Toronto and has previously acted as a director for various not-for-profits and privately held cannabis companies.

Mike earned Law (J.D.) and MBA degrees from the University of Western Ontario and the Richard Ivey School of Business.

Hugo Alves (Director). Hugo Alves is the President of Auxly Cannabis Group Inc. (TSX-V: XLY) and widely regarded as one of Canada's leading advisors in the cannabis industry, having represented a variety of global industry participants, including licensed producers, licensed producer applicants, licensed dealers, industry associations, e-commerce platforms, seed-to-sale software developers, design and build firms, patient aggregators, equipment manufacturers and distributors, and cannabis branding companies. Prior to joining Auxly, Hugo was a senior corporate and commercial Partner at Bennett Jones LLP where he founded and built the firm's Cannabis Group and acted as lead counsel in multiple foundational transactions since the creation of the corporate cannabis industry. Widely regarded as a Canadian cannabis industry pioneer, Hugo also sits on the board of directors of the not-for-profit Canadians for Fair Access to Medical Marijuana (CFAMM) and has previously acted as a director for various not-for-profits and privately held cannabis companies.

Hugo obtained his B.A. from Carleton University and his J.D. from the University of Toronto.

James Feehan (Interim CFO). James Feehan is Dixie Brands' interim Chief Financial Officer. Mr. Feehan brings more than 30 years of experience in accounting, finance and taxation to the company. His experience includes financial reporting, budgeting, banking and investor relations, tax compliance review and staff supervision.

Mr. Feehan began his career within the audit group at Coopers & Lybrand, an International CPA firm, in 1981. During his eight-year tenure, Mr. Feehan worked with both publicly and privately held entities in the areas of taxation and attestation, rising to a supervisory position in the audit and tax departments. Subsequent to his tenure at Coopers & Lybrand, he has held the position of CFO and controller for a number of privately held entities and also provided financial consultation for numerous individuals and start-up entities. In 2002 he founded CFO Advisory Group, a consulting firm providing CFO/controller services to small and medium sized companies.

Mr. Feehan has a B.Sc. in business administration from the University of Nebraska at Kearney, and a Master of Taxation from the University of Denver. He is also a Certified Public Accountant (inactive) and is a board director of a local community bank and is currently its audit chairman.

CJ Chapman (General Counsel). C. J. Chapman joined Dixie as its General Counsel on June 18, 2018. C. J. received his A.B. in politics from Princeton University and his J.D. from the University of Denver Sturm College of Law. Prior to joining Dixie, he directed a single family office based in New York with respect to structure, operations and legal issues. C. J. spent his entire private practice at Brownstein Hyatt Farber & Schreck, LLP in the real estate and corporate departments. He practiced at Brownstein from 2006 through 2017 and was a partner from 2013 through 2017.

His practice focused on the acquisition, disposition, financing, leasing and development of various commercial real estate assets, including apartment and office buildings, sports complexes, hotels, shopping centers, and vacant land. In addition, C.J. advised various companies on corporate matters, including partnership agreements, formation of entities and general corporate governance. C.J. served as outside general counsel to one of the nation's largest cattle feed manufacturers advising them on all corporate matters, including partnership agreements and corporate finance.

14. CAPITALIZATION

14.1 Securities to be Listed

Issued Capital (Resulting Issuer)

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	118,679,998	170,943,813	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by Persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	66,191,308	75,398,898	55.77%	44.11%
Total Public Float (A-B)	52,488,690	95,544,915	44.03%	55.89%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Nil.	52,263,816	Nil.	30.57%
Total Tradeable Float (A-C)	118,679,998	43,281,099	100%	25.32%

Public Securityholders (Registered)[1]

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	2,715	90,851
100 – 499 securities	463	86,306
500 – 999 securities	38	23,905
1,000 – 1,999 securities	7	9,467
2,000 – 2,999 securities	3	7,276
3,000 – 3,999 securities	Nil.	Nil.
4,000 – 4,999 securities	3	13,347
5,000 or more securities	252	118,448,846

Size of Holding	Number of holders	Total number of securities
	3,481	118,679,998

(1) Source: National Issuer Services Inc., the transfer agent of the Resulting Issuer.

<u>Public Securityholders (Beneficial)</u>

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	2,715	90,851
100 – 499 securities	463	86,306
500 – 999 securities	38	23,905
1,000 – 1,999 securities	7	9,467
2,000 – 2,999 securities	3	7,276
3,000 – 3,999 securities	Nil.	Nil.
4,000 – 4,999 securities	3	13,347
5,000 or more securities	252	118,448,846
Unable to confirm		

<u>Non-Public Securityholders (Registered)</u>

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	2,715	90,851
100 – 499 securities	463	86,306
500 – 999 securities	38	23,905
1,000 – 1,999 securities	7	9,467
2,000 – 2,999 securities	3	7,276
3,000 – 3,999 securities	Nil.	Nil.
4,000 – 4,999 securities	3	13,347
5,000 or more securities	252	118,448,846
	3,481	118,679,998

14.2 Convertible / Exchangeable Securities[1]

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Options	17,156,733	17,156,733 SVS
Warrants	28,312,938 Warrants at C$1.74 *per* share	28,312,938 SVS
	3,293,978 Warrants at C$0.23 *per* share	3,293,978 SVS
	2,911,526 Warrants at C$0.11 *per* share	2,911,526 SVS
	290,218 Warrants at C$0.45 *per* share until	290,218 SVS
	210,700 Warrants at C$1.87 *per* share until	210,700
	175,586 Warrants at C$1.87 *per* share	175,586 SVS

Notes:
(1) All values approximate based on 0.76US$ to 1C$ currency conversion and fractional shares will not be issued.

14.3 Other Listed Securities

The Resulting Issuer will have no other listed securities reserved for issuance that are not included in item 14 or 14.2.

15. EXECUTIVE COMPENSATION

The following table sets forth the anticipated compensation to be paid or awarded to the following executive officers of the Resulting Issuer: (i) the Chief Executive Officer; (ii) the Chief Financial Officer and (iii) the Chief Operating Officer for the 12-month period after giving effect to the Amalgamation:

				Non-equity incentive plan compensation ($)				
Name and principal position	**Salary per annum**	**Share-based awards ($)**	**Option-based awards ($)**	**Annual incentive plans[1]**	**Long-term incentive plans**	**Pension value ($)**	**All other compen-sation**	**Total compen-sation**
Charles Smith Chief Executive Officer & President	US$275,000	Nil.	US$899,755[2]	Up to US$137,500	Nil.	Nil.	Nil.	Up to US$1,312,255

Chief Financial Officer(3)	US$150,000	Nil.	US$0(2)	Up to US$60,000	Nil.	Nil.	Nil.	Up to US$210,000
C.J. Chapman General Counsel(3)	US$215,500	Nil.	US$232,500(2)	Up to US$86,000	Nil.	Nil.	Nil.	Up to US$533,000

Notes:

(1) Values reflect the current approved remuneration for the Resulting Issuer.

(2) The number of options that might be granted in the ensuing year cannot be predicted.

(3) Currently USA Inc. has an interim Chief Financial Officer. Values above reflect the expected remuneration range of a permanent Chief Financial Officer.

(4) The Resulting Issuer will not have a Chief Operating Officer. The General Counsel is the next most senior member of management.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At any time since the beginning of the most recently completed financial year of Academy or USA Inc., no director, executive officer or other senior officer of Academy or USA Inc. or Person who acted in such capacity in the last financial year of the Academy or USA Inc., or proposed director or officer of the Resulting Issuer or any Associate of any such director or officer is, or has been, indebted to Academy or USA Inc. nor has any such Persons indebtedness to another entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Academy or USA Inc. or a subsidiary thereof.

17. RISK FACTORS

The following are certain risk factors relating to the business of the Resulting Issuer. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to the Resulting Issuer or currently deemed immaterial by the Resulting Issuer, may also impair the operations of the Resulting Issuer. If any such risks actually occur, Shareholders of the Resulting Issuer could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

The acquisition of any of the securities of the Resulting Issuer is speculative, involving a high degree of risk and should be undertaken only by Persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Resulting Issuer should not constitute a major portion of an individual's investment portfolio and should only be made by Persons who can afford a total loss of their investment. Resulting Issuer Shareholders should evaluate carefully the following risk factors associated with the Resulting Issuer's securities, along with the risk factors described elsewhere in this Listing Statement.

Risks Related to the Operations of the Resulting Issuer

USA Inc. has a limited operating history.

USA Inc. was formed on May 5, 2014, and is in early development with four (4) years of operating history. Because of USA Inc.'s limited operating history, historical financial data may be of limited value in estimating future dividends and expenses. It is difficult to make accurate predictions and forecasts given the lack of extended operating history. This is compounded by the fact the company operates in the legal cannabis industry, one of the fastest transforming industries in North America. There is no guarantee our Products or services will remain attractive to potential and current users as the industry undergoes rapid change. Even if the Resulting Issuer accomplishes its objectives, it may not generate the positive cash flows or returns it anticipates. Any budgeted expense levels are based in part on the Resulting Issuer's expectations concerning future revenues. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business and developing new facilities. These include, but are not limited to, inadequate funding, competition, facility development, the inability to employ or retain talent, inadequate sales and marketing, and regulatory concerns. The failure by the Resulting Issuer or the Operating Companies to meet any of these conditions would have a materially adverse effect upon the Resulting Issuer. No assurance can be given that the Resulting Issuer or the Operating Companies can or will ever be successful in their operations and operate profitably.

The Resulting Issuer's ability to identify and engage manufacturing and licensing affiliates will be subject to factors beyond the Resulting Issuer's control, and there is no guarantee that the Resulting Issuer will establish such relationships.

The Resulting Issuer's growth strategy depends in large part on its ability to timely and efficiently identify and engage in manufacturing and licensing arrangements with Operating Companies which can operate such facilities on a profitable basis. Delays or failures in acquiring or developing these relationship could materially and adversely affect planned growth. The success of any planned expansion will depend upon numerous factors, many of which are beyond the Resulting Issuer's control, including the following:

- the ability to identify and secure an adequate supply of available and suitable manufacturing and licensing affiliates;
- the availability and retention of qualified operating personnel;
- the increases in minimum wage and other operating costs;
- volatility of commodity prices;
- consumer preferences, spending patterns and demographic trends;
- securing required governmental approvals and permits;
- changes in state and federal law or enforcement priorities;
- competition in current and future markets and competitive discounting;
- availability of capital; and
- the possibility of unforeseen events affecting the cannabis industry generally, such as the change in laws or enforcement of current laws related to the cannabis industry.

The Resulting Issuer faces intellectual property risks including regulatory and competitive challenges.

The Resulting Issuer has certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. As detailed in item 3, at present, the Resulting Issuer holds various intellectual property rights including the Dixie IP. The Resulting Issuer will rely on this intellectual property, know-how and other proprietary information, and require employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Resulting Issuer may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology rights. Third parties may otherwise gain access to the Resulting Issuer's proprietary information and adopt it in a competitive manner. Given the high reliance on intellectual property, any loss of intellectual property protection may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Resulting Issuer. As a result, the Resulting Issuer's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than would federally-registered marks.

The failure to enforce and maintain the Resulting Issuer's intellectual property rights could enable others to use names confusingly similar to DIXIE™ which could adversely affect the value of the brand.

The success of the Resulting Issuer depends on its continued ability to use the DIXIE™ trademarks in order to increase brand awareness. In that regard, the Resulting Issuer believe that the DIXIE™ brand is valuable asset that is critical to the Resulting Issuer success. The unauthorized use or other misappropriation of the DIXIE™ brand could diminish the value of the Resulting Issuer's business concept and may cause a decline in revenue.

The Resulting Issuer depends on the services of key executives, the loss of whom could materially harm the Resulting Issuer's business and its strategic direction if it were unable to replace them with executives of equal experience and capabilities.

Senior executives Charles Smith and Vincent Keber are important to the Resulting Issuer's success because they are instrumental in setting strategic direction, operating the business, identifying expansion opportunities and arranging any necessary financing. Losing the services of any of these individual could adversely affect the business of the Resulting Issuer until suitable replacements could be found.

The Resulting Issuer's business is dependent on the availability and retention of qualified operators.

The Resulting Issuer's success depends in part upon its ability to sufficiently attract, motivate and license Operating Companies. The inability to recruit and retain these operators may delay the planned production from new facilities, which could harm our business.

The Resulting Issuer's operations are susceptible to factors beyond its control.

Various factors beyond our control, including adverse weather conditions, governmental regulation, production, availability, number and geographic location of facilities may affect our costs or cause a disruption in the productions process, which could adversely affect the operating results of the facilities and consequently the Corporation's profitability.

Changes in consumer preferences could negatively impact demand for DIXIE™ Products.

The Resulting Issuer's continued success depends, in part, upon the popularity of cannabis, cannabis Products and/or hemp-derived Products produced by Operating Companies. The Resulting Issuer's success will depend in part on its ability to anticipate and respond to changing consumer preferences and purchasing habits, as well as other factors affecting the medical and retail cannabis industry, including new market entrants, changes in laws, and demographic changes. The failure to accurately predict market behaviors and competitive factors may adversely affect business and operations of the Corporation.

If the Operating Companies cannot obtain the necessary permits, licenses and approvals necessary to acquire, develop and produce DIXIE™ branded Products, the Resulting Issuer's growth and success could be negatively impacted.

The Resulting Issuer's business is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

In addition, each of the facilities will be subject to licensing and regulation by a number of governmental authorities, which may include health, sanitation, safety, fire, building, environmental and other agencies in the state or municipality in which the facility is located. Difficulties in obtaining or failure to obtain the required licenses or approvals could delay or prevent the development of a facility in a particular area. The Operating Companies are also subject to federal and state environmental regulations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent the development of new Operating Companies in a particular area. Changes to such laws, regulations and guidelines due to matters beyond the control of the Resulting Issuer may cause material adverse effects to the Resulting Issuer.

Operating Companies may also be required to obtain or renew further government permits and licenses for their current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, public hearings and costly undertakings on the Operating Companies' part. The duration and success of the Operating Companies' efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within their control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Operating Companies may not be able to obtain, amend or renew permits or licenses that are necessary to their operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Operating Companies. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Operating Companies may be curtailed or prohibited from proceeding with their ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects given its high dependence on Operating Companies for revenue generation.

The Operating Companies' results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.

Severe weather conditions, natural disasters, terrorist activities, health epidemics or pandemics or the prospect of these events can have an adverse impact on consumer spending and confidence levels or on other factors that affect our results and prospects, such as commodity costs. Our receipt of proceeds under any insurance we maintain with respect to certain of these risks may be delayed or the proceeds may be insufficient to offset our losses fully.

The Operating Companies are also subject to environmental risk and regulation, which can affect their business operations and profitability.

The Operating Companies' operations are subject to environmental regulation in the various jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, stricter environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Operating Companies' operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Operating Companies' operations. To the extent such approvals are required and not obtained, the Operating Companies may be curtailed or prohibited from its proposed production of medical marijuana or from proceeding with the development of its operations as currently proposed. This would in turn affect the business, revenue and profitability of the Resulting Issuer.

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

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Product Liability may be incurred in association with DIXIE™ Products.

As the Operating Companies are involved in the manufacturing and distribution of Products designed to be ingested by humans, they face an inherent risk of exposure to Product liability claims, regulatory action and litigation if DIXIE™ Products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of marijuana involve the risk of injury to consumers due to tampering by unauthorized third parties or Product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. Given the Operating Companies' position as manufacturer, distributor and retailer of adult-use and medical marijuana, and the Resulting Issuer's role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical marijuana, the Resulting Issuer may be subject to various Product liability claims, including, among others, that the marijuana Product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A Product liability claim or regulatory action against the Resulting Issuer and/or DIXIE™ brands could result in increased costs, could adversely affect the DIXIE™ reputation and brand association with its clients and consumers generally. In turn, this could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to maintain Product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential Product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential Products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

DIXIE™ Products may be subjected to Product recalls that would affect its brand equity.

Manufacturers and distributors of Products are sometimes subject to the recall or return of their Products for a variety of reasons, including Product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a Product recall may require significant management attention. Although the Resulting Issuer has detailed procedures in place for testing DIXIE™ Products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen Product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. Additionally, DIXIE™ Product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Resulting Issuer will have limited control over the operations and activities of the Operating Companies.

The Resulting Issuer will have limited control under the license agreements over the operations and activities of the Operating Companies. Since the income of the Resulting Issuer will be highly dependent upon the activities and operations of the Operating Companies and any other agreement with such Operating Companies, any substantial alteration of the Operating Companies business, operations, or production could adversely affect the income of the Resulting Issuer.

Due to the Resulting Issuer's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desirable to operate the business, which may expose the Resulting Issuer to additional risk and financial liabilities.

Insurance that is otherwise readily available to other businesses, such as workers compensation, general liability, and directors and officers insurance, is more difficult for the Resulting Issuer to find, and more expensive, because the Resulting Issuer provides services to and contracts with manufacturers and distributors in the cannabis industry. There are no guarantees that the Resulting Issuer will be able to find such insurances in the future, or that the cost will be affordable. If the Resulting Issuer is forced to go without such insurances, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Resulting Issuer to additional risk and financial liabilities.

The Resulting Issuer is dependent on the success of the Operating Companies.

The Resulting Issuer's success will depend largely on the continued efforts of its Operating Companies. The loss of the services of these companies for any reason would have a material adverse effect on the Resulting Issuer and on the value of an investment in the Resulting Issuer. There can be no assurance that the Resulting

Issuer will succeed in recruiting and retaining qualified operators in the future. Any delay or failure in locating key operators would likely have a material adverse effect on the Resulting Issuer's development. The Resulting Issuer may not be able to require all Operating Companies or their employees to enter non-competition agreements with the Resulting Issuer, and those companies or employees could leave the relevant facility to form or join a competitor.

Global Financial Conditions may not be conducive to the operations and profitability of the Resulting Issuer.

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Resulting Issuer's ability to obtain equity or debt financing in the future on terms favourable to the Resulting Issuer. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Resulting Issuer's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Resulting Issuer's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Risks Related to the Operating Companies and the Cannabis and Marijuana Industry in the U.S.

The Operating Companies have limited experience operating cannabis manufacturing and distribution facilities.

While USA Inc.'s current stockholders have over twenty (20) years of industry experience, the Operating Companies have limited experience as detailed in item 3 – *"General Development of the Business"*. There is no guarantee that each of the Operating Companies will continue to effectively manage its business, pay its debts and obligations, or be profitable. Should the Operating Companies be unable to maintain profitability, this would negatively impact the business and operations of the Resulting Issuer.

The Operating Companies have limited operating history given the nascent nature of the industry.

As a high growth enterprise, USA. Inc. and the Operating Companies do not have a lengthy history of profitability. The Operating Companies are therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. Given these risks, there is no assurance that the Resulting Issuer will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Operating Companies' business plans are unproven.

The commercial acceptance of the Operating Companies' cannabis production is still uncertain. If consumers do not respond favorably to their Products, or if it takes the Operating Companies longer to manufacture, distribute and sell the licensed Products or establish a customer base than the Resulting Issuer expects, revenues will be adversely affected, and the Resulting Issuer's cash flows would suffer.

Default by the Operating Companies under non-licensing agreements with the Resulting Issuer could have a material impact on the Resulting Issuer.

The Resulting Company expects to enter into various transactions with the Operating Companies in addition to licensing agreements, including loans, advisory agreements, joint venture agreements and equity investments in Operating Companies. Default by Operating Companies under these non-license agreements could substantially reduce expected fee income, and in the case of defaulted loans or equity investments in failing Operating Companies, a decrease in assets, of the Resulting Company that could materially affect the financial results of the Resulting Issuer.

The success of the Resulting Issuer and its Operating Companies is impacted by public opinion and perception, which are inconsistent and may change over time.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. Public opinion and support for medical and adult-use marijuana has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use marijuana, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

Unfavorable publicity or consumer perception may impact the brand equity of DIXIE™ and the business and profitability of the Resulting Issuer.

The Resulting Issuer believes the adult-use and medical marijuana industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana Products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the marijuana market or any particular Product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of the Operating Companies and the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult-use and medical marijuana with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

The Resulting Issuer's success depends on the Operating Companies' ability to compete effectively in the medical and retail cannabis industry.

The medical and retail cannabis industries are highly competitive with respect to price, quality and location. The Operating Companies will compete with numerous established competitors possessing substantial financial, marketing, personnel and other resources. The Resulting Issuer also expects to face competition from a broad range of new medical and retail cannabis producers and suppliers. While presently the marijuana industry is generally comprised of individuals and small to medium-sized entities, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger dispensaries and cultivation facilities. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While the trend in most state laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk.

The Operating Companies may face intense competition and may not be able to operate profitably in their respective markets should industry regulations become more attractive.

The market for services that the Operating Companies offer will most likely increase in competitive pressure if more states permit the use of medicinal and retail cannabis. The increased competition may hinder their ability to successfully market their Products and services. They may not have the resources, expertise or other competitive factors to compete successfully in the future. We expect the Operating Companies to face additional competition from existing competitors and new market entrants in the future. Some of such competitors will have greater resources than we do. As a result, these competitors may be able to:

- develop and expand their Product and service offerings more rapidly;
- adapt to new or emerging changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- devote greater resources to the marketing and sale of their Products and adopt more aggressive pricing policies than we can.

Competitive pressures may arise from synthetic production and technological advances and change the landscape and profitability of the industry.

There is a possibility that the pharmaceutical industry may attempt to dominate the legal marijuana industry through the development and distribution of synthetic Products, which emulate the effects and treatment of organic marijuana. If they are successful, the widespread popularity of such synthetic Products could change the demand, volume and profitability of the marijuana industry. This could adversely affect the ability of the Resulting Issuer to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

Some of the business activities of the Operating Companies, while believed to be compliant with applicable U.S. state law, are illegal under U.S. federal law. If the Operating Companies are closed by law enforcement authorities, it will materially and adversely affect the Resulting Issuer's business.

The success of the business strategy of the Resulting Issuer depends on the legality of the marijuana industry. The political environment surrounding the marijuana industry in general can be volatile and the regulatory framework remains in flux.

At present, medicinal marijuana industry is legalized in the U.S. in thirty states, plus the District of Columbia, each of which have passed laws either decriminalizing or legalizing the medicinal use of medical marijuana. Eight U.S. states, Colorado, Washington, Oregon, Alaska, Nevada, California, Maine, Massachusetts and Washington, D.C. have legalized the retail sale of cannabis. However, under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal. (see item 4 – *Narrative Description of the Business – U.S. Regulatory Environment* for more details on the U.S. regulatory development on cannabis). The federal, and in some cases state, law enforcement authorities have frequently closed down cannabis dispensaries and investigated and/or closed manufacturers that provide medicinal marijuana. To the extent that an affected dispensary is a purchaser of cannabis from the Operating Companies, it will affect the Resulting Issuer's return.

Both federal and state enforcement efforts to reduce the number of new dispensaries entering the cannabis industry would have a material effect on the Resulting Issuer's business. If one or more of the Operating Companies is forced to close, it would have a negative effect on the Resulting Issuer's business and overall profitability.

Because the business activities of the Operating Companies is illegal under federal law, the Resulting Issuer may be deemed to be aiding and abetting illegal activities through the Products and services that the Resulting Issuer provides to those companies.

The Resulting Issuer may be subject to actions by law enforcement authorities, which would materially and adversely affect the Resulting Issuer's business. Under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal. As a result, it is possible that law enforcement authorities may seek to bring an action or actions against the Resulting Issuer, and /or the Operating Companies including, but not limited, to a claim of aiding and abetting another's criminal activities. Such an action would have a material effect on the Resulting Issuer's business. (see item 4 – *Narrative Description of the Business – U.S. Regulatory Environment* for more details on the U.S. regulatory development on cannabis).

The Operating Companies faces the risk of civil asset forfeiture as its business activities are presently illegal under the U.S. federal law.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, potentially subject to forfeiture. There is therefore a risk that Operating Companies' assets may be subject to seizure under law, which would affect the business and profitability of the Resulting Issuer.

The medicinal and retail cannabis industry is in a formational stage and state and local laws and regulations are likely to change as the industry matures.

In areas where the medicinal and retail use of cannabis is legal, state and local governments may enact laws and regulations that affect the Operating Companies, its purchasers and end-users of cannabis Products. These laws and regulations are subject the change, and are likely to change, as the cannabis industry matures.

Such shift in the regulatory or political realm may have a drastic impact on the industry as a whole and adversely impact the Resulting Issuer's business, results of operations, financial condition or prospects. In addition, delays in enactment of new state or federal regulations could restrict the ability of the Resulting Issuer to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Resulting Issuer is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Resulting Issuer, and thus, the effect on the return of investor capital, could be detrimental. The Resulting Issuer is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the marijuana industry. Federal actions against individuals or entities engaged in the marijuana industry or a repeal of applicable marijuana related legislation could adversely affect the Resulting Issuer and its business, results of operations, financial condition and prospects.

The Resulting Issuer is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

The changes in state and local laws and regulations can increase costs of operations for the Resulting Issuer, its subsidiaries and Operating Companies.

The rulemaking process for cannabis operators at the state level (in any state) will be ongoing and likely to result in frequent changes. As a result, a compliance program is essential to manage the regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis business.

The Operating Companies may also incur increased administrative expenses to monitor and comply with new laws and regulations. To the extent any cost of compliance affects the Operating Companies' revenue, it may affect the Resulting Issuer's returns and would have a material adverse effect on the Resulting Issuer's business.

In U.S. states where medicinal or retail cannabis is permitted, state and local laws and regulations could adversely affect the Operating Companies, including the placement of limits on the amount of Product the Operating Companies may develop, grow or sell, which would materially and adversely affect the Operating Companies' and the Resulting Issuer's business.

In some areas, state and local laws may limit the number of plants or Products that Operating Companies may develop, grow, or sell at any time; limits may be placed on the number of purchasers Operating Companies may sell to or service; and, new or increased taxes may be levied against Operating Companies. In addition, the enforcement of identical rules or regulations as it pertains to medicinal or retail sale of cannabis may vary from municipality to municipality, or city to city. These state and local laws and regulations may adversely impact the Operating Companies' revenue and have a material effect on the Resulting Issuer's business.

Operating Companies may be subject to unfavourable tax treatment by the IRS

Under Section 280E ("**Section 280E**") of the United States Internal Revenue Code of 1986 as amended (the "**Internal Revenue Code**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

In U.S. states where medicinal or retail cannabis is permitted, local zoning laws and regulations could adversely affect the Operating Companies and their purchasers, including causing some of the Operating Companies or their purchasers to close, which would materially and adversely affect the Operating Companies' and Resulting Issuer's business.

In some cities or counties a cannabis business is prohibited from being located within a certain distance from schools or churches, or otherwise prohibited from operating in areas that are not zoned for cannabis sale or cultivation. These local laws and regulations may cause some Operating Companies and their purchasers (such as cannabis dispensaries) to close, impacting the Operating Companies' revenue and having a material effect on the Resulting Issuer's business.

Due to the illegality of the business activities of Operating Companies, they lack of access to U.S. Bankruptcy Protections, which can reduce investment loss.

As the use of cannabis is illegal under federal law, many courts have denied bankruptcy protections for cannabis businesses, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Operating Companies were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to them, which would have a material adverse effect on the Resulting Issuer's ability to recoup its losses as a creditor.

The cannabis industry is experiencing rapid growth and consolidation that may cause the Operating Companies to lose key relationships and intensify competition.

The medicinal and retail cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm the Resulting Issuer in a number of ways, including:

- The Operating Companies could lose strategic relationships if their partners are acquired by or enter into relationships with a competitor (which could cause the Operating Companies to lose access to distribution, content, technology and other resources);
- The relationship between the Operating Companies and their strategic partners may deteriorate and cause an adverse effect on the Resulting Issuer's business; and
- The Operating Companies' current competitors could become stronger, or new competitors could form consolidations.

Any of these events could put the Operating Companies at a competitive disadvantage, which could cause them to lose customers, revenue and market share. Consolidation could also force the Operating Companies to expend greater resources to meet new or additional competitive threats, which could also harm their operating results.

If no additional U.S. states allow the medicinal or recreational use of cannabis, or if one (1) or more U.S. states that currently allow it reverses its position, we may not be able to continue our growth, or the market for our Products and services may decline.

Currently, thirty U.S. (30) states and the District of Columbia allow the use of medicinal cannabis, while Colorado, Washington, Oregon, Alaska Nevada, California, Maine, and Massachusetts and Washington, D.C. have legalized the retail sale of cannabis. While we believe that the number of states that allow the use of medicinal and retail cannabis will grow, there can be no assurance that it will, and if it does not, there can be no assurance that the thirty (30) existing states and/or the District of Columbia will not reverse their position and disallow it. If either of these things happens, then not only will the growth of the Operating Companies' business be materially impacted, the Operating Companies may experience declining revenue as the market for our Products and services declines.

Given limitations of data and transparency within the industry, there is difficulty in forecasting market demand.

The Resulting Issuer and Operating Companies must rely largely on their own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A softer demand for DIXIE™ Products can materialize because of competition, technological change or other factors and could have a materially adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Lack of reliable data on the medical and adult-use marijuana industry may reduce the efficacy of business planning.

Due to recent and ongoing regulatory and policy changes in the medical and adult-use marijuana industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Resulting Issuer and the Operating Companies of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Resulting Issuer's management team as of the date of this Listing Statement.

Because the Operating Companies will be in the cannabis industry, they will have a difficult time obtaining the various insurances that are desired to operate their business, which may expose them to additional risk and financial liabilities.

Insurance that is otherwise readily available to other businesses, such as workers compensation, general liability, and directors and officers insurance, will be more difficult for the Operating Companies to find, and more expensive, because they will engage in the cannabis industry. There are no guarantees that they will be able to find such insurances in the future, or that the cost will be affordable to them. If they are forced to go without such insurances, it may prevent them from entering into certain business sectors, may inhibit their growth, and may expose them to additional risk and financial liabilities.

Because the Operating Companies will be in the cannabis industry, they will have a difficult time obtaining the various business services, such as banking and credit card services, that are desired to operate their business, which may expose them to additional risk and financial liabilities.

Most banks and credit card companies in the U.S. adhere to federal policies that are currently in flux and that otherwise disallow such financial service providers to service a business involved in the cannabis industry. Because of these policies, Operating Companies will have difficulty finding deposit, checking, credit card and other financial service providers that are otherwise readily available to other businesses. There are no guarantees that Operating Companies will be able to find such financial services in the future, or that the cost will be affordable to them. If they are forced to go without such services, it may prevent them from entering into certain business sectors, may inhibit their growth, and may expose them to additional risk and financial liabilities.

Given the illegality of cannabis under the U.S. federal law, there is uncertainty in the enforceability of contracts and remedies available for breach of contracts.

It is a fundamental legal principle that a contract will not be enforced if it involves a violation of law or public policy. As cannabis remains illegal at a federal level in the United States, judges in multiple U.S. states have, on a number of occasions, refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Resulting Issuer can legally enforce contracts it enters into if necessary. The Resulting Issuer cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect.

Operating Companies in the cannabis industry may have a difficult time obtaining and maintaining various business services from third party providers.

Any adverse change in the enforcement of United States cannabis laws, regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Resulting Issuer and/or the Operating Companies could suspend or withdraw their services, which may have a material adverse effect on the Resulting Issuer's business, revenues, operating results, financial condition or prospects.

Given that cannabis-related business is a crime under federal laws, USA Inc. and the Resulting Issuer would have limited trademark protection.

The Resulting Issuer will not be able to register any United States federal trademarks for its cannabis Products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis Products. As a result, the Resulting Issuer likely will be unable to protect its cannabis Product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

The enforcement priorities of the U.S. federal government are unpredictable and subject to change.

Marijuana is illegal under U.S. federal law and is listed as a Schedule I hallucinogenic substance pursuant to the CSA. The federal prohibition on cannabis is in conflict with the laws of certain states that have created regulated cannabis industries. The federal response to this conflict is unknowable and subject to change; in particular, recent changes in the U.S. presidential administration make any federal response extremely uncertain.

In response to the inconsistent treatment of cannabis between the federal and state level, the Cole Memo acknowledged that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes.

The Cole Memo outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memo standard.

In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the Department of Justice should focus on addressing only the most significant threats related to cannabis. States where cannabis have been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memo had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memo. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Leahy Amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018, which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. 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 businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Should this occur, it could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation and prospects, even if such proceedings were concluded successfully in favour of the Resulting Issuer. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Resulting Issuer or the seizure of corporate assets.

There is no guarantee that the federal government will not proceed to strictly enforce the CSA against the Operating Companies, their affiliates, and/or those parties with whom they do business, including the Resulting Issuer.

The failure to renew of the Leahy Amendment may increase the risk of appropriation of assets in the cannabis industry.

Presently, the Leahy Amendment prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states that have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Leahy Amendment will expire with the Fiscal Year 2018 on September 30, 2018. At such time, it may or may not be included in the Fiscal Year 2019 omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

The cannabis industry in the U.S. may be subject to FDA regulations.

Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. The Operating Companies inability to comply with the regulations or registration as prescribed by the FDA may have an adverse effect on the Resulting Issuer's business, operating results and financial condition.

U.S. federal enforcement priorities may have a chilling effect on investment and interest in the cannabis industry.

The changing enforcement priorities of U.S. federal law enforcement authorities and statements regarding enforcement of federal laws prohibiting the possession, use, cultivation, and transfer of cannabis may serve to deter investment in businesses associated with the cannabis industry, regardless of whether such businesses may directly cultivate, manufacture, and/or sell cannabis Products. This may cause the Resulting Issuer to have insufficient access to capital to invest and an inability to identify desirable Operating Companies and other business partners. Without access to affordable capital, the Resulting Issuer will not be able to execute on business development opportunities.

The involvement in the cannabis industry, which is currently illegal under US federal laws, may heighten scrutiny over the Resulting Issuers' securities and issuances thereof by regulatory authorities

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

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

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

Overall, the cannabis industry is still in flux and as such, it remains uncertain whether the Resulting Issuer (and its Operating Companies) can be responsive to both regulatory and market changes.

The medical and adult-use marijuana industry is subject to significant regulatory change at both the state and federal level. As detailed above, the inability of the Resulting Issuer to respond to the changing regulatory landscape may cause it to be unsuccessful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

Risks relating to the securities of the Resulting Issuer.

The SVSs do not have an established trading market, which may negatively affect the market value and your ability to transfer or sell your SVS.

The SVS of the Resulting Issuer will be a new issue of securities with no established trading market. The liquidity of the trading market for the SVS, if one develops, is unknown or may not last, in which case the trading price of the SVS could be adversely affected and your ability to transfer your SVS will be limited.

The market value of the SVS could be substantially affected by various factors.

The market value of the SVS may depend on many factors, including:

- the market for similar securities;
- recommendations by securities research analysts;
- the liquidity of the securities;
- general economic conditions;
- addition or departure of the Resulting Issuer's executives officers and other key personnel;
- announcements of developments and other material events by the Resulting Issuer or its competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors; and
- the Resulting Issuer's financial condition, performance and prospects.

In addition, sales of a substantial number of shares by existing Shareholders in the public market could occur at any time. These sales, or the market perception that the substantial Shareholders of the Resulting Issuers are intending to dispose of their shares, could reduce the market price of the securities of the Resulting Issuer. If this occurs and continues, it could impair the Resulting Issuer's ability to raise additional capital through the sale of securities.

There is no guarantee the Resulting Issuer will secure a return for its investors.

The Resulting Issuer may never be able to secure a return on its capital assets and investors may lose some or all of their investment. While market indicators appear to be positive (based on our internal market research), there is no guarantee that the market for our Products will not change or that the Resulting Issuer may not be able to take advantage of existing or potential market opportunities.

Investors will be relying on the judgment of the Resulting Issuer's management regarding its use of proceeds.

The Resulting Issuer expects to use the net proceeds of the Series C Financing (as detailed in item 3.1 – *"General Development of the Business - Recent Financings"* for debt repayment and general corporate purposes, including working capital, capital expenditures, debt repayment and for investment in expansion efforts. Investors will be relying on the judgment of the Resulting Issuer's management regarding the application of the proceeds. The Board of Directors will apply the proceeds available to the Resulting Issuer without the approval of investors.

The Resulting Issuer may, in a separate subsequent offering, issue debt or preferred securities with rights that are preferential to, and could cause a decrease in the value of, the Resulting Issuer's SVS.

Under certain circumstances, the Resulting Issuer may issue debt and/or shares of preferred stock without action by its Shareholders. Rights or preferences of the debt or preferred securities could include, among other things:

- the establishment of principal and interest obligations or dividends which must be paid prior to declaring or paying dividends or other distributions to holders of SVS;
- a security interest in some or all of the Resulting Issuer's assets that could be foreclosed upon in the event of default of a loan agreement or similar instrument;
- greater or preferential liquidation rights which could negatively affect the rights of holders of the SVS; and
- the right to convert the debt or preferred securities at a rate or price which would have a dilutive effect on the outstanding SVS.

The Resulting Issuer may need to raise additional capital in the immediate future.

USA Inc. believes its cash resources will be sufficient to fund planned operations and expansion for the immediate future. However, the Resulting Issuer may need additional capital in the future. If the Resulting Issuer raises additional capital through the issuance of debt securities, the interests of Shareholders of the Resulting Issuer would be subordinated to the interests of debt holders and any interest payments would reduce the amount of cash available to operate and grow the business. If the Resulting Issuer raises additional capital through the sale of equity securities, the ownership of the Shareholders would be diluted. Additionally, the Resulting Issuer cannot predict whether any financing, if obtained, will be adequate to meet capital needs and to support future growth.

The Resulting Issuer has no plans to pay dividends.

The Resulting Issuer has no present plans to declare or pay dividends in the foreseeable future. Any profits earned by the Resulting Issuer will likely be reinvested into the Resulting Issuer's operations. Accordingly, investors should view an investment in the Resulting Issuer as a long-term investment. If dividends are paid by the Resulting Issuer, they would be subject to tax and, potentially, withholdings.

There are costs associated with being a public company under applicable securities laws and regulations.

As a public issuer, the Resulting Issuer is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Resulting Issuer's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Resulting Issuer's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, the Resulting Issuer is subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, which requires annual management assessment of the effectiveness of the Resulting Issuer's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Resulting Issuer to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations place significant demands on the Resulting Issuer as well as on the Resulting Issuer's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Resulting Issuer's shares.

There are market price volatility risks associated with publicly traded shares.

The market price of the Resulting Issuer's shares may be subject to wide fluctuations in response to a wide variety of factors, including but not limited to variations in the operating results of the Resulting Issuer and Operating Companies, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Resulting Issuer and Operating Companies, general economic conditions, legislative changes, and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the shares.

Due to the transaction, U.S. tax classification may carry negative tax implications for the Resulting Issuer.

The Resulting Issuer, which is and will continue to be a Canadian corporation as of the date of this Listing Statement, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the Internal Revenue Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the Internal Revenue Code, a corporation created or organized outside the United States (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "**Inversion Conditions**").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by value) of the interests of the partnership.

The Resulting Issuer may be treated as a United States corporation for United States federal income tax purposes under section 7874 of the Internal Revenue Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the Internal Revenue Code, to be treated as a Canadian resident company the ITA for Canadian income tax purposes. As a result, the Resulting Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Resulting Issuer will pay any dividends on the SVS in the foreseeable future. However, dividends received by Shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available. Dividends received by U.S. Shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Internal Revenue Code. Accordingly, U.S. Shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by Shareholders that are neither Canadian nor U.S. Shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a Shareholder of the Resulting Issuer, subject to examination of the relevant treaty. Because the SVS will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. Shareholder of SVS.

Enforcement of Judgments

A majority of the Resulting Issuer's directors and officers are located outside Canada and, as a result, it may be difficult for Canadian Shareholders to effect service of process within Canada upon the Resulting Issuer or such persons. All or a substantial portion of the assets of the Resulting Issuer and such persons may be located outside of Canada and, as a result, it be difficult to satisfy a judgment against the Resulting Issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Resulting Issuer or such persons outside of Canada.

18. PROMOTERS

18.1 – 18.3 – Promoter Consideration

Neither the Resulting Issuer nor USA Inc. is a party to any written or oral agreement or understanding with any person to provide any promotional or investor relations services for USA Inc. or the Resulting Issuer.

19. LEGAL PROCEEDINGS

19.1 Legal Proceedings

To the knowledge of the management of USA Inc., there are no actual or contemplated material legal proceedings to which USA Inc. is a party.

To the knowledge of the management of Academy, there is one outstanding legal proceeding to which Academy is the respondent. A proceeding was brought against Academy by Tom Pister under the Solicitor's Act on February 23, 2011. This matter is presently active with the Ontario Superior Court of Justice.

19.2 Regulatory Actions

Neither Academy nor USA Inc. are subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has Academy or USA Inc. entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to their or the Resulting Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

USA Inc. transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts being the amounts agreed to by the parties.

Left Bank LLC, USA Inc.'s affiliate in Colorado is controlled by Vincent Keber III. Companies owned and/or controlled by Vincent Keber III have provided services, sales or equipment in the past which are included in the financial statements as follows:

	Year ended December 31, 2017	6 month period ended June 30, 2018
Expenses: Nil.	Nil.	Nil.

	As at December 31, 2017	As at June 30, 2018
Assets: Nil.	Nil.	Nil.

As at June 30, 2018 there are no outstanding payables to related companies.

As of the date of this Listing Statement, USA Inc. has not entered into any other material transactions with related parties outside of those noted elsewhere in this Listing Statement.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The auditors of the Resulting Issuer will be MNP LLP, at its office located at 111 Richmond Street West, Toronto, Ontario.

21.2 <u>Transfer Agent and Registrar</u>

The transfer agent and registrar of the Resulting Issuer will be National Issuer Services Inc., at its Vancouver office located at 760 – 777 Hornby Street, Vancouver, B.C. V6Z 1S4.

22. MATERIAL CONTRACTS

During the course of the two years prior to the date of the Listing Statement, Academy and USA Inc. have entered into the following material contracts, other than contracts entered into in the ordinary course of business:

(a) the Amalgamation Agreement (see Item 3.1 – *"General Development of the Business"*);

(b) the Escrow Agreement (see Item 11 – *"Escrow"*);

(c) the joint venture and ancillary agreements between USA Inc., DBPN and SSW (Nevada) (see Item 4 – *"Narrative Description of the Resulting Issuer's Business"*);

(d) the manufacturer's license agreement between USA Inc., Indus, Edible and Cypress (California) (see Item 4 – *"Narrative Description of the Resulting Issuer's Business"*);

(e) the manufacturer's license agreement between USA Inc. and Curio (Maryland) (see Item 4 – *"Narrative Description of the Resulting Issuer's Business"*);

(f) the licensing agreement between USA Inc. and Auxly (Canada and Mexico) (see Item 4 – *"Narrative Description of the Resulting Issuer's Business"*); and

(g) the manufacturer's license agreement between Therabis and AustraliaCo (Australia) (see Item 4 – *"Narrative Description of the Resulting Issuer's Business"*).

22.2 <u>Special Agreements</u>

This item is not applicable.

23. INTEREST OF EXPERTS

No Person or Resulting Issuer whose profession or business gives authority to a statement made by the Person or Resulting Issuer and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such Person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such Person is a promoter of the Resulting Issuer or an Associate or Affiliate of the Resulting Issuer. MNP LLP is independent of Academy and USA Inc. in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Resulting Issuer and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to USA Inc. and the Resulting Issuer and their respective securities.

25. FINANCIAL STATEMENTS

25.1 Financial Statements of Academy

SCHEDULE B contains the audited financial statements of Academy for the years ended April 30, 2018, 2017 and 2016, and the unaudited interim statements for Academy for the interim period ended for the nine months ended July 31, 2018.

25.2 (a)-(b) Financial Statements of Resulting Issuer

Consolidated Financial Information of the Resulting Issuer

The following table sets out certain financial information as at June 30, 2018 after giving effect to the Amalgamation as if it had been completed on that date. Such information is derived from and should be read in conjunction with the pro forma financial statements and the notes thereto attached hereto as SCHEDULE A–*"Pro Forma Financial Statements"*.

	Academy – As at June 30, 2018 (Unaudited) ($)	USA Inc. – As at June 30, 2018 (Unaudited) ($)	Pro Forma Adjustments (Unaudited) ($)	Resulting Issuer Pro Forma (Unaudited) ($)
Current Assets	263,760	5,624,453	23,625,000	29,513,213
Fixed Assets	0	3,692,709	0	3,692,709
Total Assets	263,760	9,317,162	23,625,000	33,205,922
Current Liabilities	4,763	9,426,920	(1,375,000)	8,056,683
Long Term Liabilities	0	47,930	0	47,930
Total Liabilities	4,763	9,474,850	(1,375,000)	8,104,613
Shareholders' Equity	258,997	(157,688)	25,000,000	25,101,309

USA Inc. Annual Information

The following table sets forth selected financial information for USA Inc. for the period from December 31, 2015 to December 31, 2017 and selected balance sheet data as at June 30, 2018. Such information is derived from the unaudited financial statements of USA Inc. for the three and six months ended June 30, 2018, and the audited financial statements for the year ended December 31, 2017 and should be read in conjunction with such financial statements. See SCHEDULE E – *"Financial Statements of USA Inc."*

	Three and Six Month Period Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017 (audited)	Year Ended December 31, 2016 (audited)
Revenue	1,755,130	3,339,387	2,378,299
Total Expenses	3,750,044	7,379,423	6,405,420
Net loss and total comprehensive loss for the period	(1,914,914)	(4,040,036)	(4,027,121)
Basic and diluted loss per common share	(0.02)	(0.04)	(0.05)
Cash and short-term investments	2,363,531	43,852	824,766
Total assets	9,317,162	6,349,026	6,004,345
Total long-term liabilities	47,930	864,861	1,390,513
Cash dividends per common share	Nil	Nil	Nil

Dividend Policy

To date, USA Inc. has not paid any dividends on any of the outstanding USA Shares. The future payment of dividends by the Resulting Issuer will be dependent upon the financial requirements of the Resulting Issuer to fund further growth, the financial condition of OpCo and other factors which the Board of Directors may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its board of directors, USA Inc. (Dixie Brands, Inc.), hereby applies for the listing of the SVS of the Resulting Issuer on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to USA Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at *Toronto, Ontario*
this 23rd day of November, 2018.

/s/ Charles Smith
Chief Executive Officer

SCHEDULE A
PRO FORMA FINANCIAL STATEMENTS

(*See attached*)

DIXIE BRANDS, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and For the Six Months Ended June 30, 2018
(In United States Dollars)

Dixie Brands, Inc.
Pro Forma Consolidated Statement of Financial Position
As at June 30, 2018
(Unaudited – In US Dollars unless otherwise specified)

	Academy Explorations Limited	Dixie Brands, Inc.	Notes	Adj. Dr.	Adj. Cr.	Notes	Acquisition Formula	Resulting Issuer
ASSETS								
Cash	$ 168,581	$ 2,363,531	4(a)	$ 23,625,000				$ 26,157,112
Accounts Receivable, net	95,179	2,842,871						2,938,050
Inventories	-	408,142						408,142
Lease Receivable	-	9,909						9,909
Total Current Assets	**263,760**	**5,624,453**		**23,625,000**	**-**		**-**	**29,513,213**
Related Party Advances and Notes Receivable	-	2,026,361						2,026,361
Property and Equipment, net	-	1,141,775						1,141,775
Intangible Assets, net	-	524,573						524,573
TOTAL ASSETS	**$ 263,760**	**$ 9,317,162**		**$ 23,625,000**	**$ -**		**$ -**	**$ 33,205,922**
LIABILITIES AND STOCKHOLDERS' EQUITY								
LIABILITIES								
Accounts Payable	$ 4,763	$ 717,019						$ 721,782
Accrued Payroll	-	159,708						159,708
Deferred Revenue	-	4,200,000						4,200,000
Other Accrued Liabilities	-	436,303						436,303
Notes Payable, Current Portion	-	3,913,890	4(a)	1,375,000				2,538,890
Total Current Liabilities	**4,763**	**9,426,920**		**1,375,000**	**-**		**-**	**8,056,683**
Equipment Lease	-	47,930						47,930
Total Liabilities	**4,763**	**9,474,850**		**1,375,000**	**-**		**-**	**8,104,613**
STOCKHOLDERS' EQUITY								
Common Stock	980,420	401			25,000,000	4(a)		
						4(b)	(980,420)	
						4(b)	5,086,673	
					109	4(c)		
					150,786	4(d)		
					373,890	4(d)		
					475,754	4(d)		31,087,613
Preferred Stock		109	4(c)	109				-
Additional Paid In Capital	-	12,799,490						12,799,490
Reserves	-	627,176	4(d)	150,786				476,390
Accumulated Deficit	(721,423)	(13,012,766)	4(d)	373,890				
			4(d)	475,754				
						4(b)	721,423	
						4(b)	(4,827,676)	(18,690,086)
Non-Controlling Interest	-	(572,098)						(572,098)
Total Stockholders' Equity	**258,997**	**(157,688)**		**1,000,539**	**26,000,539**		**-**	**25,101,309**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 263,760**	**$ 9,317,162**		**$ 2,375,539**	**$ 26,000,539**		**$ -**	**$ 33,205,922**

Dixie Brands, Inc.
Pro Forma Statement of Operations
For the Six Months Ending June 30, 2018
(Unaudited – In US Dollars unless otherwise specified)

	Academy Explorations Limited	Dixie Brands, Inc.	Notes	Adj. Dr.	Adj. Cr.	Notes	Acquisition Formula	Resulting Issuer
Revenues	$ -	$ 1,755,130						$ 1,755,130
Cost of Goods Sold	-	895,532						895,532
Gross Profit	-	859,598		-	-		-	859,598
Expenses:								
General and Administrative	19,897	2,663,289	4(d)	373,890				
			4(d)	475,754				3,532,830
Sales and Marketing	-	192,973						192,973
Depreciation and Amortization	-	78,123						78,123
Total Expenses	**19,897**	**2,934,385**		**849,644**	**-**		**-**	**3,803,926**
Loss From Operations	**(19,897)**	**(2,074,787)**		**(849,644)**	**-**		**-**	**(2,944,328)**
Other (Income) Expense:								
Interest (Income) Expense	(2,529)	499,315						496,786
Gain in fair value of derivative	-	(498,232)						(498,232)
Other	-	12,773						12,773
Listing Expense	-	-				4(b)	4,827,676	4,827,676
Total Other (Income) Expense	**(2,529)**	**13,856**		**-**	**-**		**4,827,676**	**4,839,003**
Net Loss Before Non-Controlling Interest	**(17,368)**	**(2,088,643)**		**(849,644)**	**-**		**(4,827,676)**	**(7,783,331)**
Non Controlling Interest	**-**	**(93,729)**		**-**	**-**		**-**	**-**
Net Loss Attributable to Company	**$ (17,368)**	**$ (1,994,914)**		**$ (849,644)**	**$ -**		**$ (4,827,676)**	**$ (7,783,331)**

Dixie Brands, Inc.
Notes to the Pro Forma Consolidated Financial Statements
June 30, 2018
(Unaudited – In US Dollars unless otherwise specified)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated statement of financial position and statement of operations of Dixie Brands, Inc. ("Dixie") has been prepared by management to reflect the acquisition of Dixie by Academy Explorations Limited ("Academy") after giving effect to the proposed transactions as described in Note 3.

The unaudited pro forma statement of financial position has been prepared for inclusion in the Filing Statement of Academy in relation to its acquisition of 100% of the issued and outstanding common shares of Dixie. Completion of the acquisition is subject to customary closing conditions, including all necessary approvals and consents and all applicable Canadian Securities Exchange approvals. In the opinion of Academy's management, the unaudited pro forma consolidated statement of financial position includes all adjustments necessary for fair presentation of the transactions contemplated in the Agreement.

2. PRO FORMA ASSUMPTIONS

The unaudited pro forma consolidated statement of financial position and statement of operations is prepared as if the transaction described below occurred on June 30, 2018.

The Acquisition is subject to the satisfaction of closing conditions and receipt of regulatory and shareholder approvals.

The unaudited proforma financial statements of Dixie should be read in conjunction with reviewed financial statements at June 30, 2018, audited financial statements at December 31, 2017, and audited financial statements of Academy at April 30, 2018. The Academy financial statements are presented in the Canadian dollar. They have been converted to the US dollar at a conversion rate at June 29, 2018 of USD $0.7594 to CAD $1.0000.

The unaudited pro forma consolidated statement of financial position of Dixie has been compiled from and includes:

a) the reviewed statement of financial position and statement of operations of Dixie as at June 30, 2018
b) the unaudited interim statement of financial position and statement of operations of Academy as at June 30, 2018
c) the additional information and assumptions set out in Notes 2 and 4

For presentation purposes, the acquisition is assumed to have occurred at June 30, 2018. The unaudited pro forma consolidated statement of financial position is not intended to reflect the financial position of Dixie which would have actually resulted had the proposed transactions been effected on the date indicated. Actual amounts recorded upon consummation of the agreement will differ from those recorded in the unaudited pro forma consolidated statement of financial position and statement of operations. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Dixie and Academy.

3. TERMS OF AMALGAMATION

It is expected that Academy will enter into the Amalgamation Agreement with Dixie Brands Acquisition Inc., a wholly-owned subsidiary of Academy incorporated for the purpose of carrying out the Amalgamation (“Amalco”) and Dixie, pursuant to which Academy will agree to acquire all of the issued and outstanding Dixie (“USA”) Shares in exchange for Subordinate Voting Shares (“SVS”) of Academy, as the resulting issuer following the reverse takeover transaction (“Resulting Issuer”). Subsequently, Amalco and Dixie will merge to form Dixie Brands (USA) Inc., which will be a wholly-owned operating subsidiary of Resulting Issuer after the Amalgamation (“OpCo”). Pursuant to the Amalgamation, Academy will acquire all of the USA Shares (other than USA Shares otherwise acquired by Academy from Canadian Dixie Shareholders pursuant to the Canadian Exchange Offer) by way of a "three-cornered" amalgamation whereby:

a) each USA Share issued and outstanding immediately prior to the Amalgamation Effective Date shall be transferred by each holder thereof to Academy in exchange for approximately 10.535 fully paid and non-assessable SVS for each USA Share;

b) each Amalco share issued and outstanding immediately prior to the Amalgamation Effective Date shall be exchanged for one OpCo share as a result of the Amalgamation;

c) each USA Share held by the Resulting Issuer will be cancelled as a result of the Amalgamation and the Resulting Issuer will receive, for each USA Share, 0.01 shares of common stock of OpCo;

d) holders of USA Warrants will exchange their warrants for Warrants of the Resulting Issuer with the same economic value and expiration date;

e) holders of USA Options will exercise all their options immediately prior to the Amalgamation for USA Shares which will be treated like all other USA Shares as set out in paragraph (a) above; and

f) each Management Option will be exchanged for one Non Participating Voting (“NPV”) Share and thereafter cancelled. All NPV Shares will be held by Management HoldCo, a private corporation the shares of which may only be held by employees of OpCo.

The Amalgamation will also result Resulting Issuer changing its name to "Dixie Brands Inc."

As a closing condition of the Amalgamation, in order to optimize the share structure of the Resulting Issuer, Academy will affect the consolidation prior to closing and amend its articles to provide for the NPV Shares. Without implementing the consolidation, Academy would be required to issue approximately 42 SVS for every USA Share upon closing of the Amalgamation. Academy's Board of Directors believe that it is in the best interests of Academy to reduce the number of Academy Shares that would be outstanding following the completion of the Amalgamation through the consolidation and issue approximately 10.535 post-consolidation SVS for every USA Share.

4. PRO FORMA ADJUSTMENTS

a) On October 1, 2018, Dixie closed an offering ("Series C Financing") of 2,688,172 of Dixie's units of securities where each unit consist of one common share and one warrant ("Series C Warrants") for cash proceeds of $23,625,000. The purchase price of each common share was $9.30. Each Series C Warrant shall entitle the holder thereof to acquire one common share for $13.95 per unit, for a term of one year. As part of the Series C Financing, $1,375.000 of debt was exchanged for common shares ("Debt Conversion") at the same price per share of $9.30 for aggregate gross proceeds of $25,000,000.

b) Since Academy's operations do not constitute a business, the transaction has been accounted for in accordance with IFRS 2, which results in the following:

- Dixie is deemed to be the acquirer and Academy is deemed to be the acquired for accounting purposes;
- Accordingly, the assets and liabilities of Academy are included in the unaudited pro forma consolidated statement of financial position and are presented at their fair value, which is deemed to be equal to their carrying value;
- The pre-acquisition equity of Academy will be eliminated upon consolidation. This includes its share capital of $980,420 and accumulated deficit of $721,423.

The purchase price is recorded as the cost to acquire the share capital at fair value at the time of the transaction. The excess of the amount paid over the fair value of the assets is charged to listing expense. Accordingly, share capital is increased by $5,085,760, being the fair value of common shares. Included in the listing expense is $86,673 attributable to the Academy options disclosed in Note 6.

Academy and Dixie have executed a definitive agreement which outlines the proposed terms by which Dixie with acquire Academy.

c) The Series C Financing constituted a Qualified Financing for purposes of the Dixie preferred stock. Concurrently with the Series C Financing, each share of Dixie preferred stock was automatically converted to Dixie shares on the basis of 2.89 Dixie shares for each share of Dixie preferred stock held and all Dixie preferred stock were cancelled.

d) Dixie has allocated 400,000 shares to be awarded to employees. At June 30, 2018, Dixie had 297,000 shares outstanding with a value of $150,786. These shares were not fully vested. The fully vested value of the shares outstanding is $626,540. Subsequent to June 30, 2018, Dixie issued the remaining 103,000 shares to employees. All 400,000 shares fully vest upon the date of the reverse take-over. Dixie has assumed a value of $373,890 for the 103,000 newly issued shares which is equal to the share price of the most recently issued shares. The $150,786 of reserve equity, has been reclassified to share capital and the $475,754 issued but currently non vested and the newly issued $373,890 have been recorded as compensation expense and share capital.

5. PRO FORMA SHARE CAPITAL

Pro Forma Number of Shares	Shares		Amount
Dixie Common Shares at June 30, 2018	4,000,000	$	401
Dixie Preferred Shares at June 30, 2018	1,090,245		109
	5,090,245		510
Share issuance from Series C (Note 4a)	2,688,172		25,000,000
Share issuance of incentvie based shares (Note 4d)	103,000		373,890
Reserve shares converting to common shares (Note 4d)	297,000		626,540
Share exchange @ 10.535 for common shares	74,673,892		
Share exchange @ 30.49 for preferred shares	33,193,763		
Academy Shares at June 30, 2018	6,641,807		5,086,673
ProForma Balance of common shares outstanding	114,509,462	$	31,087,613

Concurrently with the Series C Financing, certain members of senior management of Dixie will be awarded Management Options, exercisable at $20.00 per share. These options automatically convert into 500,000 non-participating super voting shares at the time of the reverse take-over. The shares upon conversion have no financial value.

6. STOCK OPTIONS

	Number of Options		Amount
Academy Options Issued, Convertible at $0.0608 for one year	100,000	$	86,673
Dixie Options Issued, Convertible at $0.5012 for ten years	17,056,734		-
	17,156,734	$	86,673

On July 5, 2018, Academy issued 100,000 options with an exercise price of $0.0608. The fair value of the Academy Options has been estimated using the Black-Scholes pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 2%; (iv) share price of $0.92; (v) forfeiture rate of nil; and (vi) expected life of 36 months. The expected volatility is based on the trading prices of comparable companies. The options vest immediately, and the Dixie will allocate $86,673 as the value of the Academy Options.

On September 30, 2018, Dixie issued 17,056,054 options ("Dixie Incentive Options") to key employees, consultants and advisors of Dixie who are expected to contribute to the Company's success and to achieve long-term objectives that will inure to the benefit of all stockholders of Dixie through the additional incentives inherent in the Dixie Incentive Options with an exercise price of $0.5012. The fair value of the Dixie Incentive Options has been estimated using the Black-Scholes pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 2%; (iv) share price of $0.92; (v) forfeiture rate of nil; and (vi) expected life of 120 months. The expected volatility is based on the trading prices of comparable companies. The options vest over a three-year period and meeting certain performance targets, at June 30, 2018 the vested amount is deemed to be negligible to the financial statements and is not recorded.

7. ACQUISITION – LISTING EXPENSE

Total purcahse price of Academy is as follows:		
Cost of acquisition, share issuance	$	5,000,000
Fair value of stock options issued (See Note 6)		86,673
Total consideration		5,086,673
Fair value of net assets including cash		(258,997)
Excess paid over assets - listing expense		4,827,676
Fair Value Asset Calculation of Dixing Inc.:		
Assets		263,760
Liabilities		(4,763)
	$	258,997

SCHEDULE B
FINANCIAL STATEMENTS OF ACADEMY

(*See attached*)

ACADEMY EXPLORATIONS LIMITED

Financial Statements

April 30, 2018

(Expressed in Canadian Dollars)

Zeifmans

Zeifmans

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Academy Explorations Limited

We have audited the accompanying financial statements of Academy Explorations Limited (the "Company"), which comprise the statements of financial position as at April 30, 2018 and 2017, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Zeifmans LLP

Toronto, Ontario
July 25, 2018

Chartered Professional Accountants
Licensed Public Accountants

ACADEMY EXPLORATIONS LIMITED

(Incorporated Under the Laws of Ontario)

Statements of Financial Position

As at April 30, 2018 and 2017

(Expressed in Canadian Dollars)

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 98,968**	$ 143,749
Marketable securities *(note 3)*	**127,090**	122,175
TOTAL ASSETS	**$ 226,058**	$ 265,924
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(note 4)*	**$ 7,121**	$ 8,076
TOTAL LIABILITIES	**7,121**	8,076
SHAREHOLDERS' EQUITY		
Share capital *(note 5)*	**1,165,711**	1,165,711
Deficit	**(946,774)**	(907,863)
TOTAL SHAREHOLDERS' EQUITY	**218,937**	257,848
	$ 226,058	$ 265,924

Approved and authorized by the Board on July 25, 2018:

______________________________ *Director*

______________________________ *Director*

See accompanying notes to financial statements

Zeifmans

ACADEMY EXPLORATIONS LIMITED

Statements of Comprehensive Loss

For the Years Ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

	2018	2017
REVENUE		
Dividends	**$ 5,550**	$ 5,081
Unrealized gain on marketable securities	**4,915**	13,595
Interest	**1,353**	1,546
	11,818	20,222
EXPENSES		
Salaries and wages *(note 4)*	**24,000**	24,000
Office	**14,664**	14,966
Professional fees	**10,142**	10,137
Directors' fees *(note 4)*	**1,500**	1,500
Bank charges	**423**	568
	50,729	51,171
NET LOSS AND COMPREHENSIVE LOSS	**$ (38,911)**	$ (30,949)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,567,234**	1,567,234
BASIC AND FULLY DILUTED LOSS PER SHARE	**$ (0.03)**	$ (0.02)

See accompanying notes to financial statements

Zeifmans

ACADEMY EXPLORATIONS LIMITED

Statements of Changes in Shareholders' Equity

For the Years Ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

	Share Capital	Deficit	Equity
Balance at April 30, 2016	$ 1,165,711	$ (876,914)	$ 288,797
Comprehensive loss for the year	-	(30,949)	(30,949)
Balance at April 30, 2017	**1,165,711**	**(907,863)**	**257,848**
Comprehensive loss for the year	**-**	**(38,911)**	**(38,911)**
Balance at April 30, 2018	**$ 1,165,711**	**$ (946,774)**	**$ 218,937**

See accompanying notes to financial statements

Zeifmans

ACADEMY EXPLORATIONS LIMITED

Statements of Cash Flows

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$**	**(38,911)**	$	(30,949)
Item not affecting cash:				
Unrealized gain on marketable securities		**(4,915)**		(13,595)
		(43,826)		(44,544)
Change in non-cash working capital:				
Accounts payable and accrued liabilities		**(955)**		(700)
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR		**(44,781)**		(45,244)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		**143,749**		188,993
CASH AND CASH EQUIVALENTS, END OF YEAR	**$**	**98,968**	$	143,749
SUPPLEMENTARY INFORMATION				
Interest received	**$**	**1,353**	$	1,546
Dividends received	**$**	**5,550**	$	5,080

See accompanying notes to financial statements

Zeifmans

1. DESCRIPTION OF BUSINESS

Academy Explorations Limited (the "Company") was incorporated under the Business Corporations Act of Ontario on July 20, 1970. The Company was a junior natural resource company and has adopted a strategy to stay liquid while searching for an appropriate opportunity with a private corporation that is looking to expand its operations by acquiring control of, or investment capital from, a publicly owned company such as the Company. Currently, the Company has no resource assets or operations.

The head office of the Company is located at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9.

The ability of the Company to continue as a going concern is dependent upon the ability to achieve revenue levels adequate to supporting the Company's cost structure.

Given the Company has yet to achieve sales to support the Company's cost structure, and has not generated any income nor cash flows from operations, there is significant doubt regarding the Company's ability to continue as a going concern. Any adjustments to carrying value of assets and liabilities that would be required were it determined that the Company is not a going concern have not been made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, as set out in the Chartered Professional Accountants Canada Handbook.

The financial statements for the year ended April 30, 2018 were approved and authorized for issue by the directors on July 25, 2018.

(b) Basis of presentation -

The financial statements have been prepared on a historical cost basis, except for financial assets held at fair value through profit or loss ("FVTPL") that have been accounted for based on fair value, and are presented in Canadian dollars, the Company's functional and presentation currency.

(c) Cash and cash equivalents -

Cash and cash equivalents include cash on account and demand deposits.

(d) Revenue recognition -

Gains (losses) on marketable securities are recognized as they are incurred. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Loss per share -

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury method. Currently, the Company has no potential common shares outstanding.

(f) Income taxes -

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the statement in which the related item is recognized.

Current tax is the tax expected to be payable on the taxable profit for the year (calculated using tax rates enacted or substantively enacted at the reporting date) and any adjustment to tax payable in respect of previous fiscal years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply based on tax rates and laws enacted, or substantively enacted in the periods in which the assets will be realized or the liabilities settled, by the reporting date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and are levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is improbable that the related tax benefit will be realized.

(g) Significant judgments, estimates and assumptions -

The preparation of financial statements requirements management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. The key areas where management has made judgments or estimates, often as a result of matters that are inherently uncertain, include accrued liabilities.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial instruments -

Financial instruments are classified into one of five categories: fair value through profit and loss (" FVTPL"); held-to-maturity ("HTM"); loans and receivables; available for sale ("AFS"); or other financial liabilities.

The classification is determined at initial recognition and depends on the nature and purpose of the financial instruments.

(i) FVTPL financial instruments -

Financial assets and financial liabilities at FVTPL include assets and liabilities that are held for trading or designated upon initial recognition as FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets and liabilities classified as FVTPL are measured at fair value, and are based on bid prices for long instruments and ask prices for short instruments, with changes in fair values recognized in net income in the statement of comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset or liability. Currently, the Company classifies its cash and marketable securities as FVTPL.

(ii) HTM financial instruments -

HTM financial instruments having a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial instrument to maturity, are classified as HTM and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of HTM financial instruments are included in net income in the statement of comprehensive loss. Currenlty, the Company has no HTM financial insturments.

(iii) Loans and receivables -

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in net income in the statement comprehensive loss. Currently, the Company has no loans and receivables.

(iv) AFS financial instruments -

AFS financial instruments are those financial assets that are not classified as FVTPL, HTM or loans and receivables and are carried at fair value. Any gains or losses arising from the change in fair value are recorded in other comprehensive income. AFS financial instruments are written down to fair value through other comprehensive income whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are reclassified from equity to net income as a reclassification adjustment. Currently, the Company has no AFS financial instruments.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Other financial liabilities -

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis in net income in the statement of comprehensive loss. The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments recorded at fair value in the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(continues)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of financial instruments

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Certain categories of financial assets, such as amounts receivable, that are assessed to not be impaired individually are subsequently assessed for impairment on a collective bases.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance accounts are recognized in net income in the statement of comprehensive loss. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income in the statement of comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to profit or loss for the period. Impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive loss.

(continues)

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Pending accounting changes -

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The pending new or modified standards that are applicable to the Company are as follows:

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued in 2010 and is to replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9 the same impairment model is to be applied to all financial instruments that are subject to impairment accounting. The current impairment model is to be replaced with an expected credit loss model which means that a loss event would no longer need to occur before an impairment allowance is recognized. IFRS 9 is to be effective for annual periods beginning on or after January 1, 2018. Managment has evaluated that there is no impact of IFRS 9 on the Company's financial statements.

IFRS 7 *Financial Instruments Disclosure* (:IFRS 7") has also been amended for disclosures in respect of the transition from IAS 39 and IFRS 9. Managment has evaluated that there is no impact of IFRS 7 on the Company's financial statements.

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) was issued in 2014. IFRS 15 provides a single, principles-based, five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
- · Identify the contract with the customer
- · Identify the performance obligations in the contract
- · Determine the transaction price
- · Allocate the transaction rice to the performance obligations in the contract
- · Recognize revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is to be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Managment has evaluated that there is no impact of IFRS 15 on the Company's financial statements.

3. MARKETABLE SECURITIES

	2018	2017
Canadian Imperial Bank of Commerce 3.75% non-cumulative Series 43 preferred shares	**$ 33,930**	$ 32,475
Royal Bank of Canada 3.60% non-cumulative Series BD preferred shares	**48,260**	46,340
Toronto Dominion Bank 3.75% non-cumulative Series 5 preferred shares	**44,900**	43,360
	$ 127,090	$ 122,175

(Expressed in Canadian Dollars)

4. RELATED PARTY TRANSACTIONS

For the year ended April 30, 2018, the Company incurred $25,500 ($25,500 in 2017) in compensation to executive officers included in salaries and wages and directors fees in the statement of comprehensive loss. As at April 30 2018, $2,000 remained payable and was included in accounts payable and accrued liabilities ($2,000 as at April 30, 2017).

5. SHARE CAPITAL

The Company is authorized to issue an unlimited number of special shares and an unlimited number of common shares. As at April 30, 2018 and 2017 no special shares have been issued. Common shares issued and fully paid are as follows:

		2018	**2017**
Issued:			
1,567,234	Common shares	**$ 1,165,711**	$ 1,165,711

6. INCOME TAXES

The income tax recovery recorded differs from the amount obtained by applying the statutory Canadian rate of 26.50% (2017 - 26.50%) to the loss before income taxes for the year and is reconciled as follows:

	2018	**2017**
Loss before income taxes	**$ 38,911**	$ 30,949
Estimated income tax recovery	**$ (10,312)**	$ (8,201)
Increase (decrease) resulting from:		
Income tax benefits not recognized	**10,963**	10,002
Unrealized gains on marketable securities	**(651)**	(1,801)
Effective tax recovery	**$ -**	$ -

(continues)

(Expressed in Canadian Dollars)

6. INCOME TAXES *(continued)*

The deferred taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Taxes are calculated at the active business rate as it is at that rate that those losses could be utilized. Significant components of the Company's deferred tax assets (liabilities) are as follows:

	2018	2017
Asset		
Non-capital loss carryforwards	$ 156,668	$ 145,054
Liability		
Unrealized gain on marketable securities	(2,452)	(1,801)
	154,216	143,253
Less valuation allowance	154,216	143,253
Deferred income tax asset	$ -	$ -

The Company has not recorded a deferred tax asset related to these carry forward losses and temporary differences as it is not probable that future taxable income will be available against which these unused tax attributes can be utilized.

The Company has $591,200 of non-capital losses available for deduction against future taxable income expiring as follows:

Expiry Year	Amount
2024	$ 33,173
2025	28,772
2026	43,168
2027	39,616
2028	34,084
2029	42,857
2030	45,852
2031	29,014
2032	49,566
2033	32,148
2034	46,889
2035	27,334
2036	50,357
2037	44,544
2038	43,826
	$ 591,200

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

		2018		2017
Financial assets				
FVTPL, measured at fair value:				
Cash and cash equivalents	**$**	**98,968**	$	143,749
Marketable securities	**$**	**127,090**	$	122,175
Financial liabilities				
Financial liabilities, measured at amortized cost:				
Accounts payable and accrued liabilities	**$**	**7,121**	$	8,076

The carrying values of the Company's financial instruments approximate their fair values. At the current time the Company categorizes all of its financial instruments measured at fair value to be Level 1.

Risk Management -

Credit risk -

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is not exposed to significant credit risk.

Liquidity risk -

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The current assets reflected on the statement of financial position are highly liquid. Additional information regarding the Company's capital structure and capital management is discussed in note 8.

Market risk -

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issue, or factors affecting similar financial instruments traded in the market. The Company is exposed to market risk to the extent of its holdings in marketable securities.

Price sensitivity

As at April 30, 2018, had the prices of the marketable securities held by the Company increased or decreased by 5%, with all other variables held constant, comprehensive loss would have been decreased by approximately $6,350 or increased by approximately $6,350, respectively. In practice, the actual trading result may differ from this analysis and the difference may be immaterial.

(Expressed in Canadian Dollars)

8. CAPITAL MANAGEMENT

The Company's business requires capital for funding current and future operations. The Company defines capital to include shareholder's equity, which is comprised of share capital and deficit. Capital as of April 30, 2018 is as follows:

	Carrying amount	As a % of capital
Stated capital	**$ 1,165,711**	532 %
Deficit	**(946,775)**	(432)%
	$ 218,936	100 %

9. SUBSEQUENT EVENT

On July 5, 2018, the Company issued 25,000,000 common shares for $500,000. The cost of the transaction was approximately $1,000.

ACADEMY EXPLORATIONS LIMITED

Financial Statements

April 30, 2017

(Expressed in Canadian Dollars)

Zeifmans

Zeifmans

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Academy Explorations Limited

We have audited the accompanying financial statements of Academy Explorations Limited (the "Company"), which comprise the statements of financial position as at April 30, 2017 and 2016, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Zeifmans LLP

Toronto, Ontario
August 28, 2017

Chartered Accountants
Licensed Public Accountants

ACADEMY EXPLORATIONS LIMITED

(Incorporated Under the Laws of Ontario)

Statements of Financial Position

As at April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 143,749**	$ 188,993
Marketable securities *(note 3)*	**122,175**	108,580
TOTAL ASSETS	**$ 265,924**	$ 297,573
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(note 4)*	**$ 8,076**	$ 8,776
TOTAL LIABILITIES	**8,076**	8,776
SHAREHOLDERS' EQUITY		
Share capital *(note 5)*	**1,165,711**	1,165,711
Deficit	**(907,863)**	(876,914)
TOTAL SHAREHOLDERS' EQUITY	**257,848**	288,797
	$ 265,924	$ 297,573

ON BEHALF OF THE BOARD

_________________________________ *Director*

_________________________________ *Director*

See accompanying notes to financial statements

ACADEMY EXPLORATIONS LIMITED

Statements of Comprehensive Loss

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
REVENUE	**$ -**	$ -
EXPENSES		
Salaries and wages *(note 4)*	**24,000**	24,000
Office	**14,965**	16,672
Professional fees	**10,137**	9,407
Directors' fees *(note 4)*	**1,500**	1,500
Bank charges	**568**	564
	51,170	52,143
LOSS FROM OPERATIONS	**(51,170)**	(52,143)
OTHER INCOME (LOSS)		
Interest income	**1,546**	1,787
Dividend income	**5,080**	4,724
Unrealized gain (loss) on marketable securities	**13,595**	(25,105)
	20,221	(18,594)
NET LOSS AND COMPREHENSIVE LOSS	**$ (30,949)**	$ (70,737)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,567,234**	1,567,234
BASIC AND FULLY DILUTED LOSS PER SHARE	**$ (0.02)**	$ (0.05)

See accompanying notes to financial statements

Zeifmans

ACADEMY EXPLORATIONS LIMITED

Statements of Changes in Shareholders' Equity

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Share Capital	Deficit	Equity
Balance at April 30, 2015	$ 1,165,711	$ (806,176)	$ 359,535
Total comprehensive loss for the year	-	(70,738)	(70,738)
Balance at April 30, 2016	**1,165,711**	**(876,914)**	**288,797**
Total comprehensive loss for the year	**-**	**(30,949)**	**(30,949)**
Balance at April 30, 2017	**$ 1,165,711**	**$ (907,863)**	**$ 258,348**

See accompanying notes to financial statements

ACADEMY EXPLORATIONS LIMITED

Statements of Cash Flows

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (30,949)**	$ (70,737)
Item not affecting cash:		
Unrealized loss (gain) on marketable securities	**(13,595)**	25,105
	(44,544)	(45,632)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	**(700)**	714
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(45,244)**	(44,918)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**188,993**	233,912
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 143,749**	$ 188,994
SUPPLEMENTARY INFORMATION		
Interest received	**$ 1,546**	$ 1,787
Dividends received	**$ 5,080**	$ 4,724

See accompanying notes to financial statements

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1. DESCRIPTION OF BUSINESS

Academy Explorations Limited (the "Company") was incorporated under the Business Corporations Act of Ontario on July 20, 1970. The Company is a junior natural resource company and has adopted a strategy to stay liquid while searching for an appropriate opportunity with a private corporation that is looking to expand its operations by acquiring control of, or investment capital from, a publicly owned company such as the Company. Currently, the Company has no resource assets or operations.

The head office of the Company is located at 557 Melita Crescent, Toronto Ontario, M6G 37Y.

The ability of the Company to continue as a going concern and realize the carrying value of its assets is dependent upon the ability to achieve sales levels adequate to supporting the Company's cost structure and the success of its future investments in natural resources. It is not possible at this time to predict with assurance the outcome of these investments.

Given the Company has yet to achieve sales to support the Company's cost structure, and has not generated any income nor cash flows from operations, there is significant doubt regarding the Company's ability to continue as a going concern. Any adjustments to carrying value of assets and liabilities that would be required were it determined that the Company is not a going concern have not been made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance with International Financial Reporting Standards ("IFRS") -

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, as set out in the Chartered Professional Accountants Canada Handbook.

The financial statements for the year ended April 30, 2017 were approved and authorized for issue by the shareholders on August 28, 2017.

(b) Basis of presentation -

The financial statements have been prepared on a historical cost basis, except for financial assets held at fair value through profit or loss ("FVTPL") that have been accounted for based on fair value, and are presented in Canadian dollars, the Company's functional and presentation currency.

(c) Cash and cash equivalents -

Cash and cash equivalents include cash on account and demand deposits.

(d) Revenue recognition -

Gains (losses) on marketable securities are recognized as they are incurred. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(e) Loss per share -

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury method. Currently, the Company has no potential common shares outstanding.

(f) Income taxes -

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the statement in which the related item is recognized.

Current tax is the tax expected to be payable on the taxable profit for the year (calculated using tax rates enacted or substantively enacted at the reporting date) and any adjustment to tax payable in respect of previous fiscal years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply based on tax rates and laws enacted, or substantively enacted in the periods in which the assets will be realized or the liabilities settled, by the reporting date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and are levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is improbable that the related tax benefit will be realized.

(g) Significant judgments, estimates and assumptions -

The preparation of financial statements requirements management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. The key areas where management has made judgments or estimates, often as a result of matters that are inherently uncertain, include accrued liabilities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(h) Financial instruments -

Financial instruments are classified into one of five categories: FVTPL; held-to-maturity (“HTM”); loans and receivables; available for sale (“AFS”); or other financial liabilities.

The classification is determined at initial recognition and depends on the nature and purpose of the financial instruments.

(i) FVTPL financial instruments -

Financial assets and financial liabilities at fair value through profit and loss include assets and liabilities that are held for trading or designated upon initial recognition as FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets and liabilities classified as FVTPL are measured at fair value, and are based on bid prices for long instruments and ask prices for short instruments, with changes in fair values recognized in net income in the statement of comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset or liability. Currently, the Company classifies its cash and marketable securities as FVTPL.

(ii) HTM financial instruments -

HTM financial instruments having a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial instrument to maturity, are classified as HTM and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of HTM financial instruments are included in net income in the statement of comprehensive loss. Currenlty, the Company has no HTM financial insturments.

(iii) Loans and receivables -

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in net income in the statement comprehensive loss. Currently, the Company has no loans and receivables.

(iv) AFS financial instruments -

AFS financial instruments are those financial assets that are not classified as FVTPL, HTM or loans and receivables and are carried at fair value. Any gains or losses arising from the change in fair value are recorded in other comprehensive income. AFS financial instruments are written down to fair value through other comprehensive income whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are reclassified from equity to net income as a reclassification adjustment. Currently, the Company has no AFS financial instruments.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(v) Other financial liabilities -

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis in net income in the statement of comprehensive loss. The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments recorded at fair value in the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Impairment of financial instruments

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Certain categories of financial assets, such as amounts receivable, that are assessed to not be impaired individually are subsequently assessed for impairment on a collective bases.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance accounts are recognized in net income in the statement of comprehensive loss. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income in the statement of comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to profit or loss for the period. Impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(j) Pending accounting changes -

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The pending new or modified standards that are applicable to the Company are as follows:

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in 2010 and is to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9 the same impairment model is to be applied to all financial instruments that are subject to impairment accounting. The current impairment model is to be replaced with an expected credit loss model which means that a loss event would no longer need to occur before an impairment allowance is recognized. IFRS 9 is to be effective for annual periods beginning on or after January 1, 2018. Management is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 7 *Financial Instruments Disclosure* has also been amended for disclosures in respect of the transition from IAS 39 and IFRS 9. Management is currently evaluating the impact of IFRS 7 on its financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued in 2014. IFRS 15 provides a single, principles-based, five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

· Identify the contract with the customer
· Identify the performance obligations in the contract
· Determine the transaction price
· Allocate the transaction rice to the performance obligations in the contract
· Recognize revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is to be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently evaluating the impact of IFRS 15 on its financial statements.

IAS 12 *Income Taxes* was amended January 2016 to clarify (i) the requirements for recognized deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax bases, and (iii) certain other aspects of accounting for deferred tax assets. This amendment came into effect for years begining on or after January 1, 2017. Management has determined that the implementation of this amendment will not have a significant impact on its financial statements.

(Expressed in Canadian Dollars)

3. MARKETABLE SECURITIES

		2017		2016
Canadian Imperial Bank of Commerce 3.75% non-cumulative Series 43 preferred shares	**$**	**32,475**	$	28,740
Royal Bank of Canada 3.60% non-cumulative Series BD preferred shares		**46,340**		40,900
Toronto Dominion Bank 3.75% non-cumulative Series 5 preferred shares		**43,360**		38,940
	$	**122,175**	$	108,580

4. RELATED PARTY TRANSACTIONS

For the year ended April 30, 2017, the Company incurred $25,500 ($25,500 in 2016) in compensation to executive officers included in salaries and wages and directors fees in the statement of comprehensive loss. As at April 30 2017, $2,500 remained payable and was included in accounts payable and accrued liabilities ($2,000 as at April 30, 2016).

5. SHARE CAPITAL

The Company is authorized to issue an unlimited number of special shares and an unlimited number of common shares. As at April 30, 2017 and 2016 no special shares have been issued. Common shares issued and fully paid are as follows:

			2017		2016
Issued:					
1,567,234	Common shares	**$**	**1,165,711**	$	1,165,711

6. INCOME TAXES

The income tax recovery recorded differs from the amount obtained by applying the statutory Canadian rate of 26.50% (2016 - 26.50%) to the loss before income taxes for the year and is reconciled as follows:

		2017		2016
Loss before income taxes	**$**	**(30,949)**	$	(70,737)
Estimated income tax recovery	**$**	**(8,201)**	$	(18,746)
Increase (decrease) resulting from:				
Income tax benefits not recognized		**10,002**		15,420
Unrealized (gains) losses on marketable securities		**(1,801)**		3,326
Effective tax recovery	**$**	**-**	$	-

(Expressed in Canadian Dollars)

6. **INCOME TAXES** *(continued)*

The deferred taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Taxes are calculated at the active business rate as it is at that rate that those losses could be utilized. Significant components of the Company's deferred tax assets (liabilities) are as follows:

	2017	2016
Asset		
Non-capital loss carryforwards	$ 145,054	$ 133,250
Unrealized loss on marketable securities	-	3,326
	145,054	133,250
Liability		
Unrealized gain on marketable securities	(1,801)	-
	143,253	136,576
Less valuation allowance	143,253	136,576
Deferred income tax asset	$ -	$ -

The Company has not recorded a deferred tax asset related to these carry forward losses and temporary differences as it is not probable that future taxable income will be available against which these unused tax attributes can be utilized.

The Company has $547,374 of non-capital losses available for deduction against future taxable income expiring as follows:

Expiry Year	Amount
2024	$ 33,173
2025	28,772
2026	43,168
2027	39,616
2028	34,084
2029	42,857
2030	45,852
2031	29,014
2032	49,566
2033	32,148
2034	46,889
2035	27,334
2036	50,357
2037	44,544
	$ 547,374

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

		2017		2016
Financial assets				
FVTPL, measured at fair value:				
Cash and cash equivalents	**$**	**143,749**	$	188,993
Marketable securities	**$**	**122,175**	$	108,580
Financial liabilities				
Financial liabilities, measured at amortized cost:				
Accounts payable and accrued liabilities	**$**	**8,076**	$	8,776

The carrying values of the Company's financial instruments approximate their fair values. At the current time the Company categorizes all of its financial instruments measured at fair value to be Level 1.

Risk Management **-**

Liquidity risk -

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The current assets reflected on the statement of financial position are highly liquid. Additional information regarding the Company's capital structure and capital management is discussed in note 8.

Market risk -

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issue, or factors affecting similar financial instruments traded in the market. The Company is exposed to market risk to the extent of its holdings in marketable securities.

Price sensitivity

As at April 30, 2017, had the prices of the marketable securities held by the Company increased or decreased by 5%, with all other variables held constant, comprehensive loss would have been decreased by approximately $6,100 or increased by approximately $6,100, respectively. In practice, the actual trading result may differ from this analysis and the difference may be immaterial.

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8. CAPITAL MANAGEMENT

The Company's business requires capital for funding current and future operations. The Company defines capital to include shareholder's equity, which is comprised of share capital and deficit. Capital as of April 30, 2017 is as follows:

	Carrying amount	As a % of capital
Stated capital	$ 1,165,711	451 %
Deficit	(907,863)	(351)%
	$ 257,848	100 %

ACADEMY EXPLORATIONS LIMITED

Financial Statements

April 30, 2016

(Expressed in Canadian Dollars)

Zeifmans

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Academy Explorations Limited

We have audited the accompanying financial statements of Academy Explorations Limited (the "Company"), which comprise the statement of financial position as at April 30, 2016 and 2015, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether thefinancial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Zeifmans LLP

Toronto, Ontario
August 29, 2016

Chartered Accountants
Licensed Public Accountants

ACADEMY EXPLORATIONS LIMITED

(Incorporated Under the Laws of Ontario)

Statement of Financial Position

As at April 30, 2016

(Expressed in Canadian Dollars)

	2016	2015
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 188,993**	$ 233,912
Marketable securities *(note 3)*	**108,580**	133,685
TOTAL ASSETS	**$ 297,573**	$ 367,597
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(note 4)*	**$ 8,776**	$ 8,062
TOTAL LIABILITIES	**8,776**	8,062
SHAREHOLDERS' EQUITY		
Share capital *(note 5)*	**1,165,711**	1,165,711
Deficit	**(876,914)**	(806,176)
TOTAL SHAREHOLDERS' EQUITY	**288,797**	359,535
	$ 297,573	$ 367,597

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

See accompanying notes to financial statements

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ACADEMY EXPLORATIONS LIMITED

Statement of Comprehensive Loss

For the Year Ended April 30, 2016

(Expressed in Canadian Dollars)

	2016	2015
REVENUE	**$ -**	$ -
EXPENSES		
Salaries and wages *(note 4)*	**24,000**	24,000
Office	**16,673**	15,960
Professional fees	**9,407**	6,323
Directors' fees *(note 4)*	**1,500**	1,500
Bank charges	**564**	475
	52,144	48,258
LOSS FROM OPERATIONS	**(52,144)**	(48,258)
OTHER INCOME (LOSS)		
Interest income	**1,787**	1,530
Dividend income	**4,724**	1,220
Unrealized loss on marketable securities	**(25,105)**	(3,833)
Loss on sale of marketable securities	**-**	(15,665)
	(18,594)	(16,748)
NET LOSS AND COMPREHENSIVE LOSS	**$ (70,738)**	$ (65,006)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,567,234**	1,567,234
BASIC AND FULLY DILUTED LOSS PER SHARE	**$ (0.05)**	$ (0.04)

See accompanying notes to financial statements

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ACADEMY EXPLORATIONS LIMITED

Statement of Changes in Shareholders' Equity

For the Year Ended April 30, 2016

(Expressed in Canadian Dollars)

	Share Capital	Deficit	Total Shareholders' Equity
Balance at May 1, 2014	$ 1,165,711	$ (741,170)	$ 424,541
Loss for the year	-	(65,006)	(65,006)
Balance at April 30, 2015	**1,165,711**	**(806,176)**	**359,535**
Loss for the year	**-**	**(70,738)**	**(70,738)**
Balance at April 30, 2016	**$ 1,165,711**	**$ (876,914)**	**$ 288,797**

See accompanying notes to financial statements

ACADEMY EXPLORATIONS LIMITED

Statement of Cash Flows

For the Year Ended April 30, 2016

(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (70,738)**	$ (65,006)
Items not affecting cash:		
Loss on sale of marketable securities	**-**	15,665
Unrealized loss on marketable securities	**25,105**	3,833
	(45,633)	(45,508)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	**714**	(1,805)
Cash flows from operating activities	**(44,919)**	(47,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of marketable securities	**-**	219,249
Purchases of marketable securities	**-**	(137,500)
Cash flows from investing activities	**-**	81,749
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(44,919)**	34,436
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**233,912**	199,476
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 188,993**	$ 233,912
SUPPLEMENTARY INFORMATION		
Interest received	**$ 1,787**	$ 1,530
Dividends received	**$ 4,724**	$ 1,220

See accompanying notes to financial statements

Zeifmans

1. DESCRIPTION OF BUSINESS

Academy Explorations Limited (the "Company") was incorporated under the Business Corporations Act of Ontario on July 20, 1970. The Company is a junior natural resource company and has adopted a strategy to stay liquid while searching for an appropriate opportunity with a private corporation that is looking to expand its operations by acquiring control of, or investment capital from, a publicly owned company such as the Company.

The head office of the Company is located at 557 Melita Crescent, Toronto Ontario, M6G 37Y.

The ability of the Company to continue as a going concern and realize the carrying value of its assets is dependent upon the ability to achieve sales levels adequate to supporting the Company's cost structure and the success of its investments. It is not possible at this time to predict with assurance the outcome of these investments.

Given the Company has yet to achieve sales to support the Company's cost structure, and has not generated any income nor cash flows from operations, there is significant doubt regarding the Company's ability to continue as a going concern. Any adjustments to carrying value of assets and liabilities that would be required were it determined that the Company is not a going concern have not been made.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury method. Currently, the Company has no potential common shares outstanding.

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Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply based on tax rates and laws enacted, or substantively enacted in the periods in which the assets will be realized or the liabilities settled, by the reporting date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and are levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is improbable that the related tax benefit will be realized.

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The preparation of financial statements requirements management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. The key areas where management has made judgments or estimates, often as a result of matters that are inherently uncertain, include accrued liabilities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(h) Financial instruments -

Financial instruments are classified into one of five categories: FVTPL; held-to-maturity ("HTM"); loans and receivables; available for sale ("AFS"); or other financial liabilities.

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(iii) Loans and receivables -

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AFS financial instruments are those financial assets that are not classified as FVTPL, HTM or loans and receivables and are carried at fair value. Any gains or losses arising from the change in fair value are recorded in other comprehensive income. AFS financial instruments are written down to fair value through other comprehensive income whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are reclassified from equity to net income as a reclassification adjustment. Currently, the Company has no AFS financial instruments.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(v) Other financial liabilities -

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis in net income in the statement of comprehensive loss. The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments recorded at fair value in the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Impairment of financial instruments

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Certain categories of financial assets, such as amounts receivable, that are assessed to not be impaired individually are subsequently assessed for impairment on a collective bases.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance accounts are recognized in net income in the statement of comprehensive loss. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income in the statement of comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Pending accounting changes -

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in 2010 and is to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9 the same impairment model is to be applied to all financial instruments that are subject to impairment accounting. The current impairment model is to be replaced with an expected credit loss model which means that a loss event would no longer need to occur before an impairment allowance is recognized. IFRS 9 is to be effective for annual periods beginning on or after January 1, 2018. Management is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued in 2014. IFRS 15 provides a single, principles-based, five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction rice to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is to be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently evaluating the impact of IFRS 15 on its financial statements.

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. This new standard has not yet been issued by CPA Canada. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. Management is currently evaluating the impact of IFRS 16 on its financial statements.

3. MARKETABLE SECURITIES

	2016	2015
Canadian Imperial Bank of Commerce 3.75% non-cumulative Series 43 preferred shares	**$ 28,740**	$ 36,165
Royal Bank of Canada 3.60% non-cumulative Series BD preferred shares	**40,900**	50,000
Toronto Dominion Bank 3.75% non-cumulative Series 5 preferred shares	**38,940**	47,520
	$ 108,580	$ 133,685

(Expressed in Canadian Dollars)

4. RELATED PARTY TRANSACTIONS

In the year ended April 30, 2016, the Company incurred $24,500 ($24,000 in 2015) in compensation to executive officers included in salaries and wages and directors fees in the statement of comprehensive loss. As at April 30 2016, $2,000 remained payable and was included in accounts payable and accrued liabilities ($2,000 as at April 30, 2015).

5. SHARE CAPITAL

The Company is authorized to issue an unlimited number of special shares and an unlimited number of common shares. As at April 30, 2016 and 2015 no special shares have been issued. Common shares issued and fully paid are as follows:

		2016	2015
Issued:			
1,567,234	Common shares	**$ 1,165,711**	$ 1,165,711

6. INCOME TAXES

The income tax recovery recorded differs from the income tax obtained by applying the statutory Canadian rate of 26.50% (2015 - 26.50%) to loss before income taxes for the year and is reconciled as follows:

	2016	2015
Loss before income taxes	**$ (70,738)**	$ (65,006)
Estimated income tax recovery	**$ (18,746)**	$ (17,226)
Increase (decrease) resulting from:		
Non-taxable portion of loss on marketable securities	**-**	(2,583)
Income tax benefits not recognized	**15,420**	19,301
Unrealized losses on marketable securities	**3,326**	508
Effective tax recovery	**$ -**	$ -

(Expressed in Canadian Dollars)

6. **INCOME TAXES** *(continued)*

The deferred taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Taxes are calculated at the active business rate as it is at that rate that those losses could be utilized. Significant components of the Company's deferred tax assets (liabilities) are as follows:

	2016	2015
Asset		
Non-capital loss carryforwards	$ 133,250	$ 102,313
Unrealized loss on marketable securities	3,326	508
	136,576	102,313
Less valuation allowance	136,576	102,313
Deferred income tax asset	$ -	$ -

The Company has not recorded a deferred tax asset related to these carry forward losses and temporary differences as it is not probable that future taxable income will be available against which these unused tax attributes can be utilized.

The Company has $502,830 of non-capital losses available for deduction against future taxable income expiring as follows:

Expiry Year	Amount
2024	$ 33,173
2025	28,772
2026	43,168
2027	39,616
2028	34,084
2029	42,857
2030	45,852
2031	29,014
2032	49,566
2033	32,148
2034	46,889
2035	27,334
2036	50,357
	$ 502,830

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

		2016		2015
Financial assets				
FVTPL, measured at fair value:				
Cash and cash equivalents	**$**	**188,993**	$	233,912
Marketable securities	**$**	**108,580**	$	133,685
Financial liabilities				
Financial liabilities, measured at amortized cost:				
Accounts payable and accrued liabilities	**$**	**8,776**	$	8,062

The carrying values of the Company's financial instruments approximate their fair values. At the current time the Company categorizes all of its financial instruments measured at fair value to be Level 1.

Risk Management **-**

Liquidity risk -

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The current assets reflected on the statement of financial position are highly liquid. Additional information regarding the Company's capital structure and capital management is discussed in note 8.

Market risk -

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issue, or factors affecting similar financial instruments traded in the market. The Company is exposed to market risk to the extent of its holdings in marketable securities.

Price sensitivity

As at April 30, 2016, had the prices of the marketable securities held by the Company increased or decreased by 5%, with all other variables held constant, comprehensive loss would have been decreased by approximately $5,400 or increased by approximately $5,400, respectively. In practice, the actual trading result may differ from this analysis and the difference may be immaterial.

8. CAPITAL MANAGEMENT

The Company's business requires capital for funding current and future operations. The Company defines capital to include shareholder's equity, which is comprised of share capital and deficit. Capital as of April 30, 2016 is as follows:

	Carrying amount	As a % of capital
Stated capital	$ 1,165,711	404 %
Deficit	(876,914)	(304)%
	$ 288,797	100 %

Academy Explorations Limited

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited without review by auditor)

	July 31, 2018	April 30, 2018
ASSETS		
Current:		
Cash and cash equivalents	$222,340	$ 98,968
Accounts receivable (Note 5)	171,165	-
Marketable securities (Note 4)	-	127,090
	$ 393,505	$ 226,058
LIABILITES		
Current:		
Accounts payable and accrued liabilities (Note 5)	$ 70,402	$ 7,121
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	1,665,711	1,165,711
Deficit	(1,342,608)	(946,774)
	323,103	218,937
	$ 393,505	$ 226,058

Academy Explorations Limited

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

For the Three Month Period Ended July 31, 2018

(Unaudited without review by auditor)

	2018	2017
Revenue:		
Dividend Income	$ 802	$ 1,739
Interest Income	164	407
Gain on sale of marketable securities	1,400	2,795
	2,366	4,941
Expenses:		
Consulting fees	377,279	-
Legal and audit (Note 5)	15,000	-
Managing director's salaries (Note 5)	4,000	6,000
Corporate services	978	1,017
Transfer agent's fees and expenses	508	654
Office and general	435	44
	398,200	7,715
Net loss and comprehensive loss for the period	$ (395,834)	$ (2,774)
Loss per common share	$ (0.046)	$ (0.002)
Weighted average number of common shares issued during the period	8,632,451	1,567,234

Academy Explorations Limited

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the Three Month Period Ended July 31, 2018
(Unaudited without review by auditor)

	2018	2017
Cash Flows From Operating Activities:		
Net Loss	$ (395,834)	$(2,774)
Items not affecting cash:		
Gain on sale of marketable securities	(1,400)	(2,795)
	(397,234)	(5,569)
Change in non-cash working capital:		
Accounts receivable	(171,165)	-
Marketable securities	128,490	-
Accounts payable and accrued liabilities	63,281	(1,022)
Cash flows from operating activities	(376,628)	(6,591)
Cash Flows From Financing Activities:		
Sale of common shares for cash	500,000	-
Net Increase (Decrease) In Cash and Cash Equivalents For the Period	123,372	(6,591)
Cash and Cash Equivalents, Beginning of Period	98,968	143,749
Cash and Cash Equivalents, End of Period	$222,340	$137,158
Cash Flows Supplementary Information		
Dividend Income	$802	$1,739
Interest Income	$164	$407

Academy Explorations Limited

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Three Month Period Ended July 31, 2018

(Unaudited without review by auditor)

	Common Shares	Amount	Deficit	Total
Balance, May 1, 2018	1,567,234	$1,165,711	$(946,774)	$218,937
Sale of common shares for cash	25,000,000	500,000	-	500,000
Net loss and comprehensive loss	-	-	(395,834)	(395,834)
Balance, July 31, 2018	26,567,234	$1,665,711	$(1,342,608)	$323,103
Balance, May 1, 2017	1,567,234	$1,165,711	$(907,863)	$257,848
Net loss and comprehensive loss	-	-	(2,774)	(2,774)
Balance, July 31, 2017	1,567,234	$1,165,711	$(910,637)	$255,074

1. BASIS OF PREPARATION

These condensed interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). The Board of Directors approved these condensed interim financial statements on September 26, 2018.

2. GOING CONCERN

The ability of the Company to continue as a going concern and realize the carrying value of its assets is dependent upon its ability to achieve sales levels adequate to supporting the Company's cost structure and success of its investments. It is not possible at this time to predict with assurance the outcome of these investments.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash on account and demand deposits.

Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury stock method.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results would differ from those estimates.

Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, future income taxes are recognized for temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry forward items. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Financial Instruments

Financial instruments are classified into one of five categories: FVTPL; held-to-maturity ("HTM"); loans and receivables; available for sale ("AFS"); or other financial liabilities.

The classification is determined at initial recognition and depends on the nature and purpose of the financial instruments.

(i) FVTPL financial instruments –

Financial assets and financial liabilities at fair value through profit and loss include assets and liabilities that are held for trading or designated upon initial recognition as FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the company manages and has an actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets and liabilities classified as FVTPL are measured at fair value, and are based on bid prices for long instruments and ask prices for short instruments, with changes in fair values recognized in net income in the statement of comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset or liability. Currently, the company classifies its cash and marketable securities as FVTPL.

(ii) HTM financial instruments –

HTM financial instruments having a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial instrument to maturity, are classified at HTM and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of HTM financial instruments are included in net income in the statement of income and comprehensive income. Currently, the Company has no HTM financial instruments.

(iii) Loans and Receivables –

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in net income in the statement of income and comprehensive income. Currently, the Company has no loans and receivables.

(iv) AFS financial instruments –

AFS financial instruments are those financial assets that are not classified as FVTPL, HTM or loans and receivables and are carried at fair value. Any gains or losses arising from the change in fair value are recorded in other comprehensive income. AFS financial instruments are written down to fair value through other comprehensive income whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are reclassified from the equity to net income as a reclassification adjustment. Currently, the Company has no AFS financial instruments.

(v) Other financial liabilities –

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis in net income in the statement of comprehensive loss. The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments recorded at fair value in the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial instruments

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted.

Objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Certain categories of financial assets, such as amounts receivable, that are assessed to not be impaired individually are subsequently assessed for impairment on a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance accounts are recognized in net income in the statement of comprehensive loss. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income in the statement of comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Pending accounting changes -

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for the classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management has not yet determined the impact of the amendments on the Company's financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly al contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. Management has not yet determined the impact of the amendments on the Company's financial statements.

In December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial

Statements ("IAS 1") to improve the effectiveness of presentation and disclosure in financial reports with the objective of reducing immaterial note disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. Management has not yet determined the impact of the amendments on the Company's financial statements.

4. MARKETABLE SECURITIES	**July 31** 2018	**April 30** 2018
Canadian Imperial Bank of Commerce 3.75% non-cumulative Series 43 preferred shares	$-	$33,930
Royal Bank of Canada 3.60% non-cumulative Series BD preferred shares	-	48,260
Toronto Dominion Bank 3.75% non-cumulative Series 5 preferred shares	-	44,900
	$-	$127,090

During the period, the marketable securities were sold for $128,490.

5. RELATED PARTY TRANSACTIONS

Included in accounts receivable as of July 31, 2018 was $146,995 (April 30, 2018-Nil) held in trust by a law firm. One of the current directors and one of the officers are partners of this law firm. Included in accounts payable is $15,000 in unbilled fees incurred by this law firm (2017-Nil)

During the three month period ended July 31, 2018, the Company incurred $4,000 (2017-$6,000) in compensation to a former executive officer included in managing director's salaries in the statement of comprehensive loss. As at July 31, 2018, $2,000 remained payable and was included in accounts payable and accrued liabilities ($2,000 as at July 31, 2017).

6. SHARE CAPITAL

The Company is authorized to issue an unlimited number of special shares and an unlimited number of common shares. Common shares issued and fully paid are as follows:

	Number of shares	Amount
Issued common shares for cash	25,867,234	$ 1,290,711
Issued common shares for mining claims	700,000	375,000
Balance as at July 31, 2018	26,567,234	$1,665,711

On July 5, 2018, the Company issued 25,000,000 common shares for $500,000 cash.

Stock options:

The Company on July 5, 2018 granted 400,000 stock options to certain of its directors and officers. Each such option entitles the holder to acquire one Common Share for a period of 3 years at an exercise price of $0.02 per Common Share.

7. INCOME TAXES

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment. The income tax benefit in the statements of operations and comprehensive income differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 26.50% for the years ended April 30, 2018 and 2017 to loss for the year.

	2018	2017
Income tax recovery based on statutory rate	$(154,216)	$(143,253)
Less valuation allowance	154,216	143,253
	$ -	$ -

At April 30, 2018, the Company has approximately $591,200 of non-capital losses available for carry-forward to reduce future years' income for Canadian income tax purposes. The losses have not been recorded and will expire as follows:

2024	$33,173
2025	28,772
2026	43,168
2027	39,616
2028	34,084
2029	42,857
2030	45,852
2031	29,014
2032	49,566
2033	32,148
2034	46,889
2035	27,334
2036	50,357
2037	44,544
2038	43,826
	$591,200

8. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

Financial assets	**July 31, 2018**	**April 30, 2018**
FVTPL, measured at fair value:	$222,340	$98,968
Cash and cash equivalents		
Accounts receivable	171,165	-
Marketable securities	-	127,090
Financial liabilities		
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	$70,402	$7,121

The carrying values of the Company's financial instruments approximate their fair values. At the current time the Company categorizes all of its financial instruments measured at fair value to be Level 1.

Risk Management –

Liquidity risk –

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support business strategies and operational growth. The current assets reflected on the statement of financial position are highly liquid. Additional information regarding the Company's capital management is discussed in note 9.

Market risk -

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issue, or factors affecting similar financial instruments traded in the market. The Company is exposed to market risk to the extent of its holdings in marketable securities.

Price sensitivity

As at July 31, 2018, had the prices of the marketable securities held by the Company increased or decreased by 5%, with all other variables held constant, comprehensive loss would have been decreased by approximately $19,800 or increased by approximately $19,800, respectively. In practice, the actual trading result may differ from this analysis and the difference may be immaterial.

9. CAPITAL MANAGEMENT

The Company's business requires capital for funding current and future operations. The Company defines capital to include shareholder's equity, which is comprised of share capital and deficit. Capital as of July 31, 2018 is as follows:

	Carrying Amount	As a % of capital
Stated capital	$ 1,665,711	516 %
Deficit	(1,342,608)	(416%)
	$323,103	100%

SCHEDULE C
MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF ACADEMY

(*See attached*)

ACADEMY EXPLORATIONS LIMITED

Management Discussion and Analysis
For the year ended April 30, 2018

This Management Discussion and Analysis ("MD&A") of Academy Explorations Limited (the "Company") provides analysis of the Company's financial results for the year ended April 30, 2018. The following information should be read in conjunction with the accompanying audited financial statements and the notes thereto. This MD&A was prepared using information that is current as of July 17, 2018, unless otherwise stated.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or development may differ materially from those forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Overall Performance:

Management's strategy is to stay liquid while searching for an appropriate opportunity with a private corporation that is looking to expand its operations by acquiring control of, or investment capital from, a publicly owned company such as Academy.

Management has decided to invest in guaranteed investment certificates and bank preferred shares.

We have looked at some prospective deals. In all cases the private corporation was not yet mature enough or the amount to be invested was too great relative to our capital resources. By mature, we mean their length of time in business was greater than two years, their latest annual gross revenue was greater than one million dollars, and latest annual net profit was greater than 5%.

We hold by our belief that rather than wind-down Academy, or resume mineral exploration, our shareholders' investment can be best put to work by Academy finding the right opportunity for investment in, merger with or a reverse take-over by another corporation.

We are also considering direct investment in residential and retail real estate.

Management continues to make efforts to reduce Academy's operating expenses.

Selected Annual Information:

	2018	2017	2016	2015	2014
Total revenue:	$6,903	$6,626	$6,511	$2,750	$2,816
Total net loss:	(38,911)	(30,949)	(70,737)	(65,006)	(6,129)
Net loss per share:	(2.48¢)	(1.97¢)	(4.53¢)	(4.15¢)	(0.04¢)
Total assets:	$226,058	$265,924	$297,573	$367,597	$434,408
Total long-term liabilities:	Nil	Nil	Nil	Nil	Nil
Cash dividends declared per share:	Nil	Nil	Nil	Nil	Nil

Summary of quarterly results:

	April 30, 2018	Jan. 31, 2018	Oct. 31, 2017	July 31, 2017	April 30, 2017	Jan. 31, 2017	Oct.31, 2016	July 31, 2016
Total revenue	$1,580	$1,587	$1,590	$2,146	$1,027	$1,629	$2,279	$1,691
Total net income (loss)	$(16,034)	$(9,240)	$(10,863)	$(2,774)	$(8,973)	$(293)	$(14,280)	$(7,403)
Net income (loss)per share	(1.02)¢	(0.59)¢	(0.69)¢	(0.18)¢	(0.58)¢	(0.01)¢	(0.91)¢	(0.47)¢

As at April 30, 2018, the Company had working capital of $218,937. Management believes this working capital will be sufficient to fund its activities. Management plans to still maintain a high degree of liquidity in Academy's investment portfolio (currently the only source of income) to cover Academy's monthly operating expenses and to enable the efficient implementation of an investment in, merger with or a reverse take-over by, another corporation, when and if appropriate.

Until a merger or business is found to make Academy more active again, management still intends to look into investing Academy's portfolio with greater diversity, while maintaining a high degree of liquidity and low risk.

Financial Instruments and Other Risks:

The Company’s financial instruments consist of cash in bank, guaranteed investment certificates, bank preferred shares and accounts payable and accrued liabilities. The carrying value is the same as the cost because of their short-term nature and maturities. The cost of the bank preferred shares is $137,500, its market value as of April 30, 2018 was $127,090. The carrying value of the preferred shares is provided by the investment advisor on request.

Transactions with related parties:

Paul Appleby the former Director, President and CFO received an annual salary of $24,000.

Share Capital:

The company has issued 26,567,234 common shares as of July 17, 2018, which includes 1,567,324 common shares issued as of the year ending on April 30, 2018, and an additional 25,000,000 common shares issued on July 5, 2018, as further discussed in “Subsequent events”.

Subsequent events:

On June 26, 2018, Paul Appleby, Jon Hussman and Eric Feldbloom resigned as directors of the Company, and Paul Appleby tendered his resignation as President, Chief Executive Officer and Chief Financial Officer of the Company. Binyomin Posen, Sruli Weinreb and Barry Polisuk were appointed as directors of the Company to fill the vacancies created by the foregoing resignations. Binyomin Posen was appointed to the offices of Chief Executive Officer and Chief Financial Officer and Shimmy Posen was appointed as Secretary of the Company.

On July 5, 2018 the Company issued an aggregate of 25,000,000 common shares ("Common Shares") at a price of $0.02 per Common Share for gross proceeds of $500,000. All of the Common Shares issued pursuant to the Offering are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with applicable securities legislation. The net proceeds of the Offering will be used for general working capital purposes. Shimcity Inc., a corporation controlled by Shimmy Posen, the Secretary of the Company, subscribed for Common Shares in the Offering. This issuance constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). However, Mr. Posen's acquisition is exempt from the formal valuation and majority of the minority shareholder approval requirements set out in MI

61-101 since, at the time the transaction was agreed to: (i) the securities of the Company were not listed or quoted on one of the exchanges or markets specifically identified in MI 61-101; (ii) neither the fair market value of the securities to be distributed in the Offering nor the consideration to be received for those securities, insofar as the transactions involves interested parties, exceeded $2,500,000; and (iii) the Company has one or more independent directors and, at least two thirds of said independent directors approved the transaction, all as required pursuant to sections 5.5 and 5.7 of MI 61-101.

The Company also, on July 5, 2018 authorized the grant of 400,000 incentive stock options to certain of its directors and officers. Each such option entitles the holder to acquire one Common Share for a period of 3 years at an exercise price of $0.02 per Common Share.

Other Information:

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Binyomin Posen, Director, Chief Executive Officer and Chief Financial Officer.

ACADEMY EXPLORATIONS LIMITED

Management Discussion and Analysis
For the year ended April 30, 2017

This Management Discussion and Analysis (“MD&A”) of Academy Explorations Limited (the “Company”) provides analysis of the Company’s financial results for the year ended April 30, 2017. The following information should be read in conjunction with the accompanying unaudited financial statements and the notes thereto. This MD&A was prepared using information that is current as of August 28, 2017, unless otherwise stated.

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or development may differ materially from those forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Overall Performance:

Management's strategy is to stay liquid while searching for an appropriate opportunity with a private corporation that is looking to expand its operations by acquiring control of, or investment capital from, a publicly owned company such as Academy.

Management has decided to invest in guaranteed investment certificates and bank preferred shares.

We have looked at some prospective deals. In all cases the private corporation was not yet mature enough or the amount to be invested was too great relative to our capital resources. By mature, we mean their length of time in business was greater than two years, their latest annual gross revenue was greater than one million dollars, and latest annual net profit was greater than 5%.

We hold by our belief that rather than wind-down Academy, or resume mineral exploration, our shareholders' investment can be best put to work by Academy finding the right opportunity for investment in, merger with or a reverse take-over by another corporation.

We are also considering direct investment in residential and retail real estate.

Management continues to make efforts to reduce Academy's operating expenses.

Selected Annual Information

	2017	2016	2015	2014	2013
Total revenue:	$6,626	$6,511	$2,750	$2,816	$37,453
Total net loss:	(30,949)	(70,737)	(65,006)	(6,129)	(13,618)
Net loss per share:	(1.97¢)	(4.53¢)	(4.15¢)	(0.04¢)	(0.87¢)
Total assets:	$265,924	$297,573	$367,597	$434,408	$427,118
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil
Cash dividends declared per share:	Nil	Nil	Nil	Nil	Nil

:

Summary of quarterly results:

	April 30, 2017	Jan. 31, 2017	Oct.31, 2016	July 31, 2016	April 30, 2016	Jan. 31, 2016	Oct. 31, 2015	J
Total revenue	$1,027	$1,629	:$2,279	$1,691	$1,092	$1,716	$1,729	
Total net income (loss)	$(8,973)	$(293)	$(14,280)	$(7,403)	$(525)	$(22,067)	$(30,694)	$(
Net income (loss)per share	(0.58¢)	(0.01)¢	(0.91¢)	(0.47¢)	(0.01)¢	(1.38¢)	(2.00¢)	

As at April 30, 2017, the Company had working capital of $257,848. Management believes this working capital will be sufficient to fund its activities. Management plans to still maintain a high degree of liquidity in Academy's investment portfolio (currently the only source of income) to cover Academy's monthly operating expenses and to enable the efficient implementation of an investment in, merger with or a reverse take-over by, another corporation, when and if appropriate.

Until a merger or business is found to make Academy more active again, management still intends to look into investing Academy's portfolio with greater diversity, while maintaining a high degree of liquidity and low risk.

Financial Instruments and Other Risks

The company's financial instruments consist of cash in bank, guaranteed investment certificates, bank preferred shares and accounts payable and accrued liabilities. The carrying value is the same as the cost because of their short term nature and maturities. The cost of the bank preferred shares is $137,500, its market value as of April 30, 2017 was $122,175. The carrying value of the preferred shares is provided by the investment advisor on request.

Transactions with related parties:

Paul Appleby is a Director, President and CFO and receives an annual salary of $24,000.

Share Capital

The company has issued 1,567,234 common shares.

Other Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Paul Appleby, Director, President and Secretary, acting in the capacity of Chief Financial Officer.

SCHEDULE D
FINANCIAL STATEMENTS OF USA INC.

(*See attached*)

DIXIE BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in United States Dollars)

DIXIE BRANDS, INC. AND SUBSIDIARIES
Management's Responsibility for Financial Reporting

To the Stockholders of DIXIE BRANDS, INC. AND SUBSIDIARIES:

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Dixie Brands, Inc. and Subsidiaries (collectively, the "Company"), and reviewed and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operations in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditors, Macias Gini & O'Connell, LLP, and their report is presented herein.

/s/ Charles Smith	*/s/ James Feehan*
Chief Executive Officer	Chief Financial Officer

November 23, 2018

DIXIE BRANDS, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Dixie Brands, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Dixie Brands, Inc. and Subsidiaries (collectively the "Company"), which comprise the consolidated statements of financial position at December 31, 2017 and 2016, and the consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dixie Brands, Inc. and Subsidiaries at December 31, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ MACIAS, GINI & O'CONNELL, LLP

Sacramento, California
November 23, 2018

DIXIE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

		2017	2016
ASSETS			
Cash		$ 43,852	$ 824,766
Accounts Receivable, net		1,859,405	688,266
Inventories	*Note 3*	509,708	457,566
Lease Receivable		21,405	45,650
Prepaid Expenses		33,965	95,573
Total Current Assets		**2,468,335**	**2,111,821**
Related Party Advances and Notes Receivable	*Note 9*	2,374,574	1,852,603
Property and Equipment, net	*Note 4*	900,047	1,113,114
Investment in Affiliates		-	144,665
Intangible Assets, net	*Note 5*	606,070	782,142
TOTAL ASSETS		**$ 6,349,026**	**$ 6,004,345**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
LIABILITIES			
Accounts Payable		$ 808,845	$ 527,708
Accrued Payroll		105,470	38,911
Other Accrued Liabilities		976,088	418,582
Notes Payable, Current Portion	*Note 6*	5,441,721	1,462,378
Convertible Notes Payable	*Note 7*	364,574	132,398
Total Current Liabilities		**7,696,698**	**2,579,977**
Equipment Lease	*Note 10*	66,629	102,891
Notes Payable	*Note 6*	300,000	900,000
Derivative Liabilities	*Note 7*	498,232	387,622
Total Liabilities		**8,561,559**	**3,970,490**
STOCKHOLDERS' EQUITY (DEFICIT)			
Common stock $0.0001 par value, 4,010,000 shares authorized and outstanding as of December 31, 2017 and 2016		401	401
Additional Paid In Capital		8,799,599	8,799,599
Reserves		193,688	100,138
Accumulated deficit		(10,727,852)	(6,687,816)
Non-Controlling Interest		(478,369)	(178,467)
Total Stockholders' Equity (Deficit)		**(2,212,533)**	**2,033,855**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		**$ 6,349,026**	**$ 6,004,345**

Nature of Operations (Note 1)
Commitments and Contingencies (Note 12)
Subsequent Events (Note 14)

Approved on behalf of the Board on October 24, 2018

/s/ Charles Smith
Chief Executive Officer

/s/ James Feehan
Chief Financial Officer

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

DIXIE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended December 31, 2017 and 2016

		2017	2016
Revenues		$ 3,339,387	$ 2,378,299
Cost of Goods Sold		1,763,777	1,638,741
Gross Profit		1,575,610	739,558
Expenses:			
General and Administrative		3,289,008	2,917,715
Sales and Marketing		793,275	1,072,313
Depreciation and Amortization		251,611	211,319
Total Expenses		**4,333,894**	**4,201,347**
Loss From Operations		**(2,758,284)**	**(3,461,789)**
Other Expense:			
Interest Expense	*Note 6*	744,129	307,846
Change in Fair Value of Derivative Liabilities	*Note 7*	110,610	(76,720)
Other		726,915	673,072
Total Other Expense		**1,581,654**	**904,198**
Net Loss Before Non-Controlling Interest		**(4,339,938)**	**(4,365,987)**
Non Controlling Interest		**(299,902)**	**(338,866)**
Net Loss Attributable to the Company		**$ (4,040,036)**	**$ (4,027,121)**

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

DIXIE BRANDS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2017 and 2016

	Common Stock	Additional Paid in Capital	Reserves	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Non-Controlling Interest	Contributions Receivable from non-controlling interest	Total Non-Controlling Interest	Total
Balance, January 1, 2016	**$ 401**	**$ 8,099,599**	**$ 28,203**	**$ (2,660,695)**	**$ 5,467,508**	**$ (89,892)**	**$ -**	**$ (89,892)**	**$ 5,377,616**
Contribution	-	280,000	-	-	280,000	-	-	-	280,000
Non-Cash Contribution	-	420,000	-	-	420,000	-	-	-	420,000
Net Loss	-	-	-	(4,027,121)	(4,027,121)	(338,866)	-	(338,866)	(4,365,987)
Incentive Share-Based Payment	-	-	58,933	-	58,933	-	-	-	58,933
Warrants	-	-	13,002	-	13,002	-	-	-	13,002
Non-Cash Contribution From Non-Controlling Interest	-	-	-	-	-	478,554	(228,263)	250,291	250,291
Balance, December 31, 2016	**401**	**8,799,599**	**100,138**	**(6,687,816)**	**2,212,322**	**49,796**	**(228,263)**	**(178,467)**	**2,033,855**
Net Loss	-	-	-	(4,040,036)	(4,040,036)	(299,902)	-	(299,902)	(4,339,938)
Incentive Share-Based Payment	-	-	72,272	-	72,272	-	-	-	72,272
Warrants	-	-	21,278	-	21,278	-	-	-	21,278
Balance, December 31, 2017	**$ 401**	**$ 8,799,599**	**$ 193,688**	**$ (10,727,852)**	**$ (1,734,164)**	**$ (250,106)**	**$ (228,263)**	**$ (478,369)**	**$ (2,212,533)**

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

DIXIE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Net Loss	$ (4,339,938)	$ (4,365,987)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	472,683	438,662
Amortization of Debt Discount	237,797	97,120
Change in Fair Value of Derivative Liabilities	110,610	(76,720)
Loss on Impairment of Investments	741,408	-
Incentive Share-Based Payment	72,272	58,933
Warrants	21,278	13,002
Changes in:		
Accounts Receivable	(1,171,139)	768,988
Lease Receivable	24,245	72,318
Inventories	(52,142)	170,822
Prepaid Expenses	61,608	(9,679)
Accounts Payable	281,136	75,591
Accrued Payroll	66,559	19,420
Other Accrued Liabilities	557,506	416,255
NET CASH USED IN OPERATING ACTIVITIES	(2,916,117)	(2,321,275)
INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,246)	(335,333)
Loss on Disposal of Property and Equipment	17,702	19,633
Purchase of Intangibles	(45,000)	(909,535)
Additions to Related Party Advances and Notes Receivable	(1,160,188)	(1,062,187)
Payments Received on Notes Receivable	638,217	200,000
Investments in Affiliate	(596,743)	(144,665)
NET CASH USED IN INVESTING ACTIVITIES	(1,152,258)	(2,232,087)
FINANCING ACTIVITIES		
Contribution	-	280,000
Proceeds from Issuance of Notes Payable	3,323,722	3,532,289
Payments on Equipment Lease	(36,261)	(56,056)
CASH FROM FINANCING ACTIVITIES	3,287,461	3,756,233
NET DECREASE IN CASH	(780,914)	(797,129)
CASH, BEGINNING OF YEAR	824,766	1,621,895
CASH, END OF YEAR	$ 43,852	$ 824,766

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

DIXIE BRANDS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ 605,076	$ (70,316)
Cash Paid for Taxes	$ -	$ -
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of note payable to equity	$ -	$ 420,000
Contribution from non-controlling interest	$ -	$ 478,554
Purchase of equipment through capital lease	$ -	$ 158,948
Conversion of related party advances to notes receivable	$ 750,000	$ -

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

1. NATURE OF OPERATIONS

Dixie Brands Inc. collectively with its consolidated subsidiaries is referred to as "DBI" or the "Company".

DBI owns the intellectual property, product branding, formulations, proprietary ingredients, consulting expertise, and preparation methods related to a variety of marijuana infused products, referenced herein as the "Dixie Product Line". DBI has relationships with entities in California, Nevada and Maryland who are locally licensed to manufacture cannabis products, including the Dixie Product Line. DBI designs and distributes packaging, ingredients, and non-cannabis consumer goods.

DBI's consolidated subsidiaries consist of the following:

- Aceso LLC ("Aceso"), a Delaware limited liability company owned 100% by DBI. Aceso manufactures and distributes hemp oil supplements that promote relaxation, pain relief, improved immunity, and overall wellness.
- DBFN LLC ("DBFN"), a Nevada limited liability company owned 100% by DBI. DBFN owns 70% of the controlling interest in DBPN LLC ("DBPN"), a Nevada limited liability company. DBPN sublicenses and authorizes the DBI intellectual property, product branding, formulations, proprietary ingredients, consulting expertise, and preparation methods to a licensed product manufacturer in Nevada.
- Therabis LLC ("Therabis"), a Delaware limited liability company owned 60% by DBI. Therabis manufactures and distributes hemp oil supplements for pets that calm, relieve itching, and promote mobility.

The Company's corporate headquarters are located at 4990 Oakland St, Denver, CO 80239.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the years ended December 31, 2017 and 2016.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 24, 2018.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which have been measured at fair value.

Functional Currency

The Company and its affiliates' functional currency, as determined by management, is the United States ("U.S.") dollar. These consolidated financial statements are presented in U.S. dollars.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the following entities, DBI, Aceso, Therabis, DBFN and DBPN. All significant intercompany balances and transactions are eliminated in consolidation.

Cash

Cash consists of balances held in bank checking and/or saving accounts. There are no cash equivalents as at December 31, 2017 and 2016.

Accounts Receivable

Accounts receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days.

Inventories

Inventories purchased from third parties, which include proprietary ingredients, finished goods, and packaging and supplies, are valued using the average costing method at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. At December 31, 2017 and 2016, management determined that no such reserve is necessary.

Investment in Affiliates

During the years ended December 31, 2017 and 2016, DBI made investments of $596,743 and $144,665, respectively, in affiliates in Arizona and Washington that operate similar to DBPN. During the year ended December 31, 2017, the Company determined that the investments are no longer viable and therefore, fully impaired the investment and recorded a loss of $741,408, which is included in other expenses in the accompanying consolidated statements of operations.

Property and Equipment, net

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance, supplies, and property equipment with a cost of $1,000 or less are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Furniture and Fixtures	5 – 7 Years
Equipment	5 - 7 Years
Computer Equipment	5 Years
Leasehold Improvements	Lesser of the lease term or useful life
Leased Equipment	Lesser of the lease term or useful life

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is retired upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on sale or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the year the asset is retired. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets consist of license agreements purchased from Left Bank (see Note 9) and others for the right to recipes and methodologies. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. At December 31, 2017 and 2016, the Company did not recognize any impairment losses. Intellectual property is measured at fair value at the time of acquisition and is amortized on a straight-line basis over the useful life of the asset.

Income Taxes

Income tax expense is recognized in the consolidated statements of operations based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the years ended December 31, 2017 and 2016, DBI is taxed as a C-Corporation. In addition to DBI's income, all of the subsidiaries of DBI are treated as limited liability companies and, accordingly, DBI's proportionate share of taxable income and losses are flowed through to DBI.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes the tax benefit from an uncertain tax position only if it is probably that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that is probably of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination.

Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from licenses is recognized at the transfer of utility to the customer and when all the following conditions have been satisfied:

- The licensor makes the intellectual property available to the customer;
- The price is fixed and determinable;
- The license period begins;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the customer; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

This also applies to instances of license renewal and term extension. License revenue is based on a percentage of the sale of the product by a manufacturing affiliate to a dispensary customer at a price determined by competitive market conditions. Given these provisions, management has concluded the price is not fixed and determinable at the time the licensed formula is made available. Accordingly, revenue from license fees is not recognized until the manufacturer sells the finished product.

Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the customer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the customer; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Financial Instruments

All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments are acquired, their characteristics, and management intent as outlined in Note 9.

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Share-based Payments

Equity-settled share-based payments to employees are measured at the fair value of the stock options at the grant date and recognized in expense over the vesting periods.

Convertible Debentures

Convertible notes are compound financial instruments which are accounted for separately by their components; a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

Significant Accounting Judgments Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Derivative liabilities

The Company uses the fair-value method of accounting for derivative liabilities and such liabilities are re-measured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using a Monte Carlo simulation model. Critical estimates and assumptions used in the model are discussed in Note 6.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible, however, that at some future date, an additional liability could result from audits by taxing authorities. If the final outcome of these tax related matters is different from the amounts that are initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard introduces new and revised guidance for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company expects the impact on its consolidated financial statements to be insignificant.

IFRS 15, Revenue from Contracts with Customers

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract- based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company expects the impact on its consolidated financial statements to be insignificant.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined. However, upon adoption of IFRS 16, the leases described in note 10 will likely constitute right of use assets with a corresponding lease obligation.

3. INVENTORIES

At December 31, inventories consist of the following:

	2017	2016
Raw Materials:		
Materials	$ 308,916	$ 211,179
Ingredients	117,332	32,745
Total Raw Materials	426,248	243,924
Finished Goods	83,460	213,642
Total Inventories	$ 509,708	$ 457,566

4. PROPERTY AND EQUIPMENT

At December 31, property and equipment consist of the following:

	2017	2016
Furniture and Fixtures	$ 174,934	$ 174,934
Equipment	232,433	328,505
Computer Equipment	64,643	61,747
Leasehold Improvements	508,378	506,703
Leased Equipment	406,809	326,764
Total Property and Equipment, Gross	1,387,197	1,398,653
Less: Accumulated Depreciation	(487,150)	(285,539)
Property and Equipment, Net	$ 900,047	$ 1,113,114

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	Property and Equipment, Gross	Accumulated Depreciation	Property and Equipment, Net
Balance as at January 1, 2016	924,005	(74,270)	849,735
Additions	494,281	-	494,281
Disposals	(19,633)		(19,633)
Depreciation	-	(211,269)	(211,269)
Balance as at December 31, 2016	1,398,653	(285,539)	1,113,114
Additions	6,246	-	6,246
Disposals	(17,702)	-	(17,702)
Depreciation	-	(201,611)	(201,611)
Balance as at December 31, 2017	1,387,197	(487,150)	900,047

5. INTANGIBLE ASSETS

At December 31, intangible assets consist of the following:

	Balance at January 1, 2016	Purchases	Amortization Expense	Balance at December 31, 2016
License Agreement	$ 100,000	$ 909,535	$ 227,393	$ 782,142
Total Intangible Assets	$ 100,000	$ 909,535	$ 227,393	$ 782,142

	Balance at January 1, 2017	Purchases	Amortization Expense	Balance at December 31, 2017
Formula	$ -	$ 45,000	$ 7,500	$ 37,500
License Agreement	782,142	-	213,572	568,570
Total Intangible Assets	$ 782,142	$ 45,000	$ 221,072	$ 606,070

Based solely on the amortizable intangible assets recorded at December 31, 2017, estimated amortization expense for the years ending December 31, is as follows:

Year Ending December 31,	Estimated Amortization
2018	$ 221,072
2019	221,072
2020	148,926
2021	7,500
2022	7,500
	$ 606,070

Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

6. NOTES PAYABLE

At December 31, notes payable consist of the following:

	2017	2016
Unsecured promissory notes dated July - November, 2016, which maturing July - November, 2017 (extended for 12 months); payment is due in full at maturity, interest at rate of 12% per annum, paid quarterly.	$ 625,000	$ 625,000
Unsecured promissory note dated April, 2016, which maturing in April, 2017 (extended for 12 months); Payment in full is due on the maturity date of note, interest at rate of 12% per annum for six months and thereafter at a rate of 18% to accrue for the length of the note.	600,000	600,000
Unsecured promissory notes dated November - December, 2016, which maturing in May - June, 2018; payment in full is due on the maturity date of note, interest at rate of 12% per annum, paid quarterly.	1,150,000	1,150,000
*Unsecured promissory notes dated January - June, 2017, which maturing in July, 2018 - January 2019; payment in full is due on the maturity date of note, interest at rate of 12% per annum, paid quarterly.	2,045,000	-
Unsecured promissory note dated September 8, 2017, which maturing on July 13, 2018; payment in full is due on the maturity date of note, interest at rate of 8% per annum, paid quarterly.	250,000	-
Unsecured promissory note dated September 8, 2017, which maturing on July 13, 2018; payment in full is due on the maturity date of note, interest at rate of 8% per annum, paid at maturity date.	275,000	-

	2017	2016
Unsecured promissory notes dated October - December, 2017, which maturing in October - December, 2018; payment in full is due on maturity date of note, interest at rate of 12% per annum, paid quarterly.	825,000	-
Total Notes Payable	5,770,000	2,375,000
Less: Discounts	28,279	12,622
Less: Current Portion of Notes Payable	5,441,721	1,462,378
Notes Payable, Net of Current Portion	$ 300,000	$ 900,000

*DBI issued notes collectively totaling $2,045,000 during 2017 and $1,150,000 during 2016 (collectively, "DBI Notes"). The DBI Notes have a stated interest rate of 12% per annum and a 12-month maturity date. In connection with the principal of the DBI Notes, the Company issued 196,334 warrants (76,667 in 2016 and 136,334 in 2017) to purchase DBI's common shares at $15.00 per share. The instrument meets the equity criteria under IAS 9. As such, the warrant was classified as an equity instrument. The DBI Note's fair value was recorded on initial recognition and will be accreted to the full principal over the expected term. The DBI Notes' fair value was recorded on initial recognition and will be accreted to the full principal over the expected term. Key assumptions used in the valuation include an expected term of two years from the inception date. Issuance costs were insignificant, were allocated to the warrants and expensed in the period incurred.

The fair values of the warrants were calculated using a Monte Carlo simulation, with the following assumptions:

	2017	2016
Risk-free Rate	1.39%	1.05
Expected Dividend Yield	0%	0%
Expected Term (in years)	0.50	1.50

Warrant Components	**Initial Allocated Value**	
	2017	**2016**
Notes	$ 2,023,722	$ 1,136,998
Warrant	21,278	13,002
Total Principal	**$ 2,045,000**	**$ 1,650,000**

7. CONVERTIBLE NOTE

At December 31, convertible note payable consist of the following:

	2017	2016
Unsecured convertible promissory note dated July, 2016, which maturing in July, 2017 (extended to July 2018); payment is due in full at maturity or to be converted into shares of DBI and membership interest in DBPN in 2018, interest at rate of 8% per annum, paid quarterly.	$ 500,000	$ 500,000
Less: Discount	135,426	367,602
Convertible Note Payable	$ 364,574	$ 132,398

DBI issued a convertible promissory note in July, 2016 for $500,000 ("Note"). The Note matures on the earlier of 2 years or the Company raising at least $10 million of capital. The Note is convertible into Series B preferred shares at 50% of the price per share under the Series B raise. Since the number of shares to be issued is unknown, the instrument did not meet the "fixed for fixed" criteria under IAS 9 - Financial Instruments: Presentation ("IAS 9"). As such, the conversion option was classified as a derivative liability and accounted for at fair value through profit and loss ("FVTPL"). The Note's fair value was recorded on initial recognition and will be accreted to the full principal over the expected term. Key assumptions used in the valuation include an expected term of two years from the inception date. Issuance costs were allocated to the conversion option and expensed in the period incurred, as these instruments are at FVTPL.

Convertible Debt Components	**Initial Allocated Value 2016**
Notes	$ 35,658
Conversion option	464,342
Total Principal	**$ 500,000**

The fair values of the conversion option ("derivative liability") was $498,232 and $387,622 as at December 31, 2017 and 2016, respectively, and was calculated using a Monte Carlo simulation, with the following assumptions:

	Inception	December 31, 2016	December 31, 2017
Risk-free Rate	1.20%	1.05%	1.39
Expected Dividend Yield	0%	0%	0%
Expected Term (in years)	2.0	1.5	0.50

8. STOCKHOLDERS' EQUITY

Stock Incentive Plan

The Company's 2015 Incentive Shares Plan (the Plan), which is shareholder-approved, permits the grant of shares to its employees and other service providers for up to 400,000 shares of common stock. Share awards generally vest over three years. Certain share awards provide for accelerated vesting if there is a change in control (as defined in the Plan). The fair value of each share award is estimated by management based on third party valuation report.

A summary of activity under the Plan for the years ending December 31, 2017 and 2016 is presented below:

	Restricted Stock Units
Outstanding at January 1, 2016	111,000
Granted	50,000
Vested	(37,000)
Forfeited	–
Outstanding at December 31, 2016	124,000
Granted	39,000
Vested	(53,667)
Forfeited	–
Outstanding at December 31, 2017	109,333
Vested and expected to vest at December 31, 2017	200,000

The weighted-average grant-date fair value of shares granted during the years December 31, 2017 and 2016 is $1.67 and $1.30, respectively. The total compensation expense recognized during the years ended December 31, 2017 and 2016 is $72,272 and $58,933, respectively, and is included in general and administrative expense in the accompanying consolidated statements of operations. Key assumptions used in the valuation include forfeitures are accounted for on an individual basis and the risk free rate was 1.05% and 1.39% at December 31, 2017 and 2016, respectively.

9. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

DBI and Left Bank have common ownership. DBI purchased the license agreement (Note 5) from Left Bank under a purchase agreement in 2016.

The Company leases the facility for DBI from Left Bank under a sub-lease agreement that expires in November 2018, and requires escalating annual rentals not exceeding $209,907 in the final year of the lease. Total rent expense paid to Left bank for the years ended December 31, 2017 and 2016 is $202,093 and $205,791 respectively. The total minimum future rental commitment as at December 31, 2017, under the lease is $192,415.

DBI has subleased certain equipment to Left Bank under a non-cancellable agreement, which expires in August 2019, and requires a monthly rental of $3,562.

Related party advances and notes receivable:

At December 31, related party advances and notes receivable consist of the following:

	2017	2016
Left Bank	$ 974,988	$ 290,416
Dixie Holdings	67,700	2,800
Silver State Wellness	500,000	500,000
Total Related Party Notes Receivable	1,542,688	793,216
Related Party Advances	831,886	1,059,387
Total Related Party Advances and Notes Receivable	$ 2,374,574	$ 1,852,603

A summary of activity under the notes for the years ending December 31, 2017 and 2016 is presented below:

Balance as at January 1, 2016	$ 990,416
Additions	1,062,187
Payments received	(200,000)
Balance as at December 31, 2016	1,852,603
Additions	1,160,188
Payments received	(638,217)
Balance as at December 31, 2017	$ 2,374,574

DBI holds two notes receivable from Left Bank. The first note for $315,000, is issued for operational funding during 2014 and 2015. The second note is issued in September, 2017 for $750,000 to convert advances into notes receivable. The notes accrue interest at 2% per annum and are payable at maturity in June 2022. Interest on these notes is not significant as at December 31, 2017 and 2016.

Purchases and sales between Left Bank and DBI are recorded in accounts receivable or accounts payable. At December 31, 2017 and 2016, the Company had $812,93 and $363,068, respectively of accounts receivable from Left Bank.

DBI has a note receivable from Dixie Holdings, for $67,700 and $2,800, as at December 31, 2017 and 2016, respectively. DBI and Dixie Holdings have common ownership. The note accrues interest at 2% per annum and are payable at maturity in December 2018. Interest on this note is not significant as at December 31, 2017 and 2016.

In October 2016, DBPN issued $500,000 under a note receivable bearing interest at 12% from Silver State Wellness, a company who owns 30% of DBPN. DBPN had non-interest bearing advances receivable from Silver State Wellness for $868,207 and $309,387 as at December 31, 2017 and 2106, respectively.

DBPN has equity contributions receivable of $228,263 as at December 31, 2017 and 2016 from Silver State Wellness. At December 31, 2017 and 2016, the Company had $868,207 and $46,547, respectively of accounts receivable from Silver State Wellness.

Compensation of key management personnel:

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

	2017	2016
Management Compensation	$ 500,000	$ 400,000
Directors' Fees	-	-
Share-Based Payments (a)	13,360	10,400
	$ 513,360	$ 410,400

(a) Share based payments are the fair value of options granted and vested to key management and directors of the company under the Company's stock incentive share plan (Note 7)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company early-adopted IFRS 9 - Financial Instruments ("IFRS 9"), which replaced IAS 39 - Financial Instruments: Recognition and Measurement. The revised guidance changed the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, FVTPL and fair value through other comprehensive income. The Company's financial assets are measured at amortized cost or FVTPL.

The Company determines classification of financial assets at initial recognition. The Company's accounting policy in respect to its financial instruments is as follows:

(i) Financial assets are classified and measured at FVTPL unless they meet the following criteria for amortized cost:

- The Company plans to hold the financial assets in order to collect contractual cash flows; and
- Payments received on the financial assets are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial liabilities - non-derivative financial liabilities are measured at amortized cost unless they have been designated as FVTPL. Derivative liabilities are initially measured at FVTPL, with subsequent changes in fair market value recognized in the Consolidated Statements of Operations.

(iii) Compound financial instruments - the component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs are divided between the liability and equity components in proportion to their values.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 inputs for assets or liabilities that are not based upon observable market data

The Company classifies its financial instruments as follows:

Financial Instrument	Classification	Fair Value Hierarchy
Cash and cash equivalents	Amortized cost	N/A
Accounts and Lease receivables	Amortized cost	N/A
Accounts payable and accrued payroll and other liabilities	Amortized cost	N/A
Promissory notes receivable	Amortized cost	N/A
Derivative liabilities	FVTPL	Level 3
Convertible notes payable	Amortized cost	N/A
Loan payable	Amortized cost	N/A

A summary of activity for level 3 derivative liabilities for the years ending December 31, 2017 and 2016 is presented below:

Balance as at January 1, 2016	$ -
Additions	464,342
Change in Fair Value	(76,720)
Balance as of December 31, 2016	387,622
Change in Fair Value	110,610
Balance as of December 31, 2017	$ 498,232

There are no material reclassifications between fair value levels during the years ended December 31, 2017 and 2016.

11. INCOME TAXES

At December 31, 2017 and 2016, the Company has gross deferred income tax assets of approximately $2,058,000 and $1,675,000, respectively, which relate primarily to U.S. and state net operating loss carryforwards. Realization of these assets is dependent upon the Company's ability to generate sufficient future taxable income by 2036, the year in which these unused carryforwards begin to expire. Management has assessed the available positive and negative evidence to assess the Company's ability to generate such income and has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, valuation allowances have been recorded at December 31, 2017 and 2016 to reduce such assets to $0. The valuation allowance increased by approximately $383,000 in 2017 as a result of continued losses. The significant items in the income tax expense as a dollar amount or as a percentage to pretax income based on statutory tax rates relates to the impact of true-ups of deferred taxes, valuation allowance, items not deductible for tax purposes, and the impact of the change in tax law.

Federal and state tax laws impose significant restrictions on the utilization of net operating loss carryforwards in the event of a change in ownership of the Company, as defined by Internal Revenue Code Section 382 (Section 382). The Company does not believe a change in ownership, as defined by Section 382, has occurred but a formal study has not been completed. The Company has net operating loss carryforwards for federal and state income tax purposes of approximately $7,588,000 as of 12/31/2017. The federal and state net operating loss carryforwards, if not utilized, will expire beginning in 2024. The tax return years 2013 through 2017 remain open to examination by the taxing jurisdictions to which the Company is subject. Net operating losses generated on a tax return basis by the Company for the years ended December 31, 2014 through 2017 remain open to examination by the taxing jurisdictions.

The Tax Cuts and Jobs Act (the "Tax Act"), enacted on December 22, 2017 by the U.S. government reduces the federal corporate tax rate from 34% to 21% effective January 1, 2018. As a result, the gross blended tax rate before valuation allowance applied to deferred tax assets and liabilities was reduced from 37% to 25%. Since the company maintains a full valuation allowance against the overall deferred tax asset, the Tax Act had no impact on the financial statements.

12. COMMITMENTS AND CONTINGENCIES

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable, and the contingent liability amount can be reasonably estimated.

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as at December 31, 2017, medical and adult use cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Capital lease

During 2016, the Company acquired certain equipment through a lease. Since the term of the lease is approximately the same as the estimated useful life of the assets and the present value of the future minimum lease payments at the beginning of the lease approximated the fair value of the leased assets at that date, the lease is considered a capital lease and has been so recorded. At December 31, 2017 and 2016, this equipment had a depreciated cost of $34,322 and $2,767, respectively.

The balance of the liability under the capital lease at December 31, 2017 and 2016, in the amount of $66,629 and $100,677, respectively, net of unamortized discount of $4,610 and $11,305, respectively, represents the present value of the balance due in future years for lease rentals, discounted at 7.75%. The liability is payable in monthly installments of $3,562 for principal and interest to August 2019.

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as at December 31, 2017:

Year ending December 31:	
2018	$ 42,743
2019	28,496
Total minimum lease payments	71,239
Less the amount representing interest	4,610
Present value of net minimum lease payments	$ 66,629

The minimum lease payments have not been reduced by minimum sublease rentals due in the future under the non-cancellable sublease mentioned in the preceding paragraph as they are not significant.

13. FINANCIAL RISK MANAGEMENT

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company’s exposure to non-payment or non-performance by our counterparties is a credit risk. The maximum credit exposure as at December 31, 2017 is the carrying amount of cash, accounts receivable and other receivables and promissory notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of December 31, 2017. The Company mitigates its credit risk on its other receivables and promissory notes receivable through its review of the counterparties and business review. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note’s origination and duration and terms of the note. Notes that are overdue are assessed for impairment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's cash holdings. As at December 31, 2017, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one-year, and notes payable, which have a contractual maturity within 18 months. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of members' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2017.

14. SUBSEQUENT EVENTS

In connection with a settlement on April 1, 2018, the Company issued warrants to purchase 276,367 and 312,670 of Company's common shares at $.92 and $1.83, respectively, per share. The warrants meet the equity criteria under IAS 32. As such, the warrants will be classified as an equity instrument with a corresponding expense of $254,119 and 139,833, for the years ending December 31, 2017 and 2016, respectively.

On April 17, 2018, the Company closed an offering ("Series B Financing") of 1,090,245 shares of its preferred stock at $3.67 per share for gross proceeds of $4,000,000. The Series B Financing was made to accredited investors in the U.S. and Canada on a non-brokered basis. Proceeds from the Series B Financing were used to pay the costs of the offering, repayment of existing indebtedness, working capital, and for general administrative expenses related to management and operation of the business.
On October 1, 2018, the Company closed an offering ("Series C Financing") of 2,688,172 of DBI units of securities where each unit consists of one common and one warrant ("Series C Warrants", together with the common shares and warrants ("Company Units") for aggregate gross proceeds of $25,000,000. The purchase price of each Company Unit is $9.30. Each Series C Warrant shall entitle the holder thereof to acquire one DBI share of common stock for $13.95, for a term of one year. As part of the Series C Financing, $1,375.000 of debt was exchanged for common shares ("Debt Conversion") at the same deemed value of the Company as the Series C Financing. Concurrently with the Series C Financing, certain members of senior management of the Company will be awarded Management Options, exercisable at $20.00 per share. Proceeds of the Series C Financing will be used to pay the costs of the financing, expenses associated with a planned reverse takeover transaction, repayment of debt, working capital expenses, including financing the Company's expansion plans.

Concurrently with the Series C Financing, each share of preferred stock will automatically convert into common stock at $2.89 per share and all preferred stock will be cancelled.

DIXIE BRANDS, INC. AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of and For the Three and Six Months Ended June 30, 2018 and 2017
(In United States Dollars)

DIXIE BRANDS, INC. AND SUBSIDIARIES

Index to unaudited condensed interim consolidated financial statements

DIXIE BRANDS, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2018 and December 31, 2017
(Unaudited)

		June 30, 2018	December 31, 2017 (audited)
ASSETS			
Cash		$ 2,363,531	$ 43,852
Accounts Receivable, net		2,842,871	1,859,405
Inventories	*Note 3*	408,142	509,708
Lease Receivable		9,909	21,405
Prepaid Expenses		-	33,965
Total Current Assets		**5,624,453**	**2,468,335**
Related Party Advances and Notes Receivable	*Note 3*	2,026,361	2,374,574
Property and Equipment, net	*Note 4*	1,141,775	900,047
Intangible Assets, net	*Note 5*	524,573	606,070
TOTAL ASSETS		**$ 9,317,162**	**$ 6,349,026**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
LIABILITIES			
Accounts Payable		$ 717,019	$ 808,845
Accrued Payroll		159,708	105,470
Deferred Revenue		4,200,000	200,000
Other Accrued Liabilities		436,303	776,088
Notes Payable, Current Portion	*Note 6*	3,913,890	5,441,721
Convertible Notes Payable	*Note 7*	-	364,574
Total Current Liabilities		**9,426,920**	**7,696,698**
Equipment Lease		47,930	66,629
Notes Payable	*Note 6*	-	300,000
Derivative Liability	*Note 7*	-	498,232
Total Liabilities		**9,474,850**	**8,561,559**
STOCKHOLDERS' EQUITY (DEFICIT)			
Common stock $0.0001 par value, 4,010,000 shares authorized and outstanding as of June 30, 2018 and December 31, 2017		401	401
Preferred Stock $3.67 par value, 1,090,245 shares authorized and outstanding as of June 30, 2018. No shares authorized or outstanding as of December 31, 2017		109	-
Additional Paid In Capital		12,799,490	8,799,599
Reserves		627,176	193,688
Accumulated Deficit		(13,012,766)	(10,727,852)
Non-Controlling Interest		(572,098)	(478,369)
Total Stockholders' Equity (Deficit)		**(157,688)**	**(2,212,533)**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		**$ 9,317,162**	**$ 6,349,026**

Nature of Operations (Note 1)
Commitments and Contingencies (Note 11)
Subsequent Events (Note 13)

Approved on behalf of the Board on October 24, 2018.

(signed) *"Charles Smith"*
Chief Executive Officer

(signed) *"James Feehan"*
Chief Financial Officer

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DIXIE BRANDS, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six Months Ended June 30, 2018 and 2017
(Unaudited)

		Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues		$ 817,558	$ 881,838	$ 1,755,130	$ 1,463,596
Cost of Goods Sold		434,388	452,518	895,532	698,825
Gross Profit		383,170	429,320	859,598	764,771
Expenses:					
General and Administrative		1,761,072	713,788	2,663,289	1,517,274
Sales and Marketing		126,054	206,430	192,973	527,227
Depreciation and Amortization		56,612	68,918	78,123	141,155
Total Expenses		**1,943,738**	**989,136**	**2,934,385**	**2,185,656**
Loss From Operations		**(1,560,568)**	**(559,816)**	**(2,074,787)**	**(1,420,885)**
Other (Income) Expense:					
Interest Expense	*Note 6*	210,121	181,289	496,786	338,850
Gain in fair value of derivative	*Note 7*	(500,000)	(39,365)	(498,232)	(81,605)
Other		-	11,220	15,302	(60,041)
Total Other (Income) Expense		**(289,879)**	**153,144**	**13,856**	**197,204**
Net Loss Before Non-Controlling Interest		**(1,270,689)**	**(712,960)**	**(2,088,643)**	**(1,618,089)**
Non Controlling Interest		**(83,495)**	**(49,712)**	**(93,729)**	**(158,538)**
Net Loss Attributable to Company		**$ (1,187,194)**	**$ (663,248)**	**$ (1,994,914)**	**$ (1,459,551)**

 The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DIXIE BRANDS, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Six Months Ended June 30, 2018 and 2017
(Unaudited)

	Common Stock	Preferred Stock	Additional Paid in Capital	Reserves	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Non-Controlling Interest	Contributions Receivable from non-controlling interest	Total Non-Controlling Interest	Total
Balance, December 31, 2016	$ 401	$ -	$ 8,799,599	$ 100,138	$ (6,687,816)	$ 2,212,322	$ 49,796	$ (228,263)	$ (178,467)	$ 2,033,855
Net Loss	-	-	-	-	(1,459,551)	(1,459,551)	(158,538)	-	(158,538)	(1,618,089)
Incentive Share-based Payment	-	-	-	32,919	-	32,919	-	-	-	32,919
Warrants	-	-	-	21,278	-	21,278	-	-	-	21,278
Balance, June 30, 2017	401	-	8,799,599	154,335	(8,147,367)	806,968	(108,742)	(228,263)	(337,005)	469,963
Net Loss	-	-	-	-	(2,580,485)	(2,580,485)		-	-	(2,580,485)
Incentive Share-based Payment	-	-	-	39,353	-	39,353	(141,364)	-	(141,364)	(102,011)
Warrants	-	-	-	-	-	-	-	-	-	-
Balance, December 31, 2017 (audited)	401	-	8,799,599	193,688	(10,727,852)	(1,734,164)	(250,106)	(228,263)	(478,369)	(2,212,533)
Adjustment Related to the Adoption of IFRS 9, Credit Loss Reserve	-	-	-	-	(290,000)	(290,000)	-	-	-	(290,000)
Contributions	-	109	3,999,891	-	-	4,000,000	-	-	-	4,000,000
Net Loss	-	-	-	-	(1,994,914)	(1,994,914)	(93,729)	-	(93,729)	(2,088,643)
Incentive Share-based Payment	-	-	-	32,919	-	32,919	-	-	-	32,919
Warrants	-	-	-	400,569	-	400,569	-	-	-	400,569
Balance, June 30, 2018	$ 401	$ 109	$ 12,799,490	$ 627,176	$ (13,012,766)	$ 414,410	$ (343,835)	$ (228,263)	$ (572,098)	$ (157,688)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DIXIE BRANDS, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2018 and 2017
(Unaudited)

	For the 6 months ended	
	June 30, 2018	**June 30, 2017**
OPERATING ACTIVITIES		
Net Loss	$ (2,088,643)	$ (1,618,089)
Adjustments To Reconcile Net Loss To		
Net Cash Used In Operating Activities:		
Depreciation And Amortization	180,037	245,441
Amortization of Debt Discount	152,595	118,205
Change in Fair Value of Derivative Liabilities	(498,232)	(81,605)
Incentive Share-Based Payment	32,919	32,919
Warrants	400,569	21,278
Changes In:		
Accounts Receivable	(1,093,466)	(823,142)
Lease Receivable	11,496	(12,265)
Inventories	101,566	154,295
Prepaid Expenses	33,965	76,972
Accounts Payable	(91,826)	38,051
Accrued Payroll	54,238	39,337
Deferred Revenue	4,000,000	-
Other Accrued Liabilities	(339,785)	(61,906)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	855,432	(1,870,510)
INVESTING ACTIVITIES		
Purchases of Property and Equipment	(354,612)	(28,647)
Loss On Disposal Of Property And Equipment	14,344	2,100
Purchase of Intangibles	-	(42,000)
Additions to Related Party Advances and Notes Receivable	(12,115)	-
Payments Received on Notes Receivable	200,328	(119,047)
Change in Credit Loss Reserve on Related Party Advances	(20,000)	-
Investments in Affiliate	-	(228,034)
NET CASH USED IN INVESTING ACTIVITIES	(172,055)	(415,628)
FINANCING ACTIVITIES		
Contribution	4,000,000	-
Proceeds from Issuance of Notes Payable	250,000	2,023,722
Payments on Notes Payable	(2,595,000)	-
Payments on Equipment Lease	(18,699)	(20,903)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,636,301	2,002,819
NET INCREASE (DECREASE) IN CASH	2,319,679	(283,318)
CASH, BEGINNING OF PERIOD	43,852	824,766
CASH, END OF PERIOD	$ 2,363,531	$ 541,448
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ 150,898	$ 527,507
Cash Paid for Taxes	$ -	$ -
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Affect of adoption of IFRS 9	$ 290,000	$ -

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Dixie Brands Inc. collectively with its consolidated subsidiaries is referred to as "DBI" or the "Company".

DBI owns the intellectual property, product branding, formulations, proprietary ingredients, consulting expertise, and preparation methods related to a variety of marijuana infused products, referenced herein as the "Dixie Product Line". DBI has relationships with entities in California, Nevada and Maryland who are locally licensed to manufacture cannabis products, including the Dixie Product Line. DBI designs and distributes packaging, ingredients, and non-cannabis consumer goods.

DBI's consolidated subsidiaries consist of the following:

- Aceso LLC ("Aceso"), a Delaware limited liability company owned 100% by DBI. Aceso manufactures and distributes hemp oil supplements that promote relaxation, pain relief, improved immunity, and overall wellness.
- DBFN LLC ("DBFN"), a Nevada limited liability company owned 100% by DBI. DBFN owns 70% of the controlling interest in DBPN LLC ("DBPN"), a Nevada limited liability company. DBPN sublicenses and authorizes the DBI intellectual property, product branding, formulations, proprietary ingredients, consulting expertise, and preparation methods to a licensed product manufacturer in Nevada.
- Therabis LLC ("Therabis"), a Delaware limited liability company owned 60% by DBI. Therabis manufactures and distributes hemp oil supplements for pets that calm, relieve itching, and promote mobility.

The Company's corporate headquarters are located at 4990 Oakland St, Denver, CO 80239.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These unaudited condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee. These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on October 24, 2018.

Basis of measurement
These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which have been measured at fair value.

Functional and presentation currency
The unaudited condensed interim consolidated financial statements and the accompanying notes are expressed in United States ("U.S.") Dollars.

Basis of consolidation
The accompanying unaudited condensed interim consolidated financial statements include the accounts of the following entities, DBI, Aceso, Therabis, DBFN, and DBPN. All significant intercompany balances and transactions were eliminated in consolidation.

Revenue Recognition
The IASB's new revenue recognition standard IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") was adopted by the Company on January 1, 2018. The new standard replaces IAS 18 - Revenue, and provides for a single model that applies to all contracts with customers with two types of recognition: at a point in time or over time. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of adoption. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

1. Identify the contract with a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of goods to customers for a fixed price is recognized when the Company transfers control of the good to the customer. Revenue from licenses is recognized over time as the license services are provided.

Recent Accounting Pronouncements
In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard introduces new and revised guidance for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company adopted IFRS 9 reporting as of January 1, 2018, which resulted in an adjustment to equity of $290,000. The Company has taken an exemption not to restate comparative information for prior periods. Therefore, comparative periods have not been restated, and the results of adopting IFRS 9 have been recognized in accumulated deficit as at January 1, 2018. See significant accounting judgements estimates and assumptions for additional detail.

Significant Accounting Judgements Estimates and Assumptions
The Company evaluates all trade receivables and notes receivables for collectability during the year. The Company reviewed the outstanding balances of two related party customers to determine the estimated cash shortfall that would be incurred if a default would happen. IFRS 9 applies an expected credit loss model where forward looking information should be taken into account when estimating credit losses. The total provision for credit losses was determined to be $110,000 for trade receivables and $180,000 for related party advances and notes receivable as at June 30, 2018 (December 31, 2017 – nil).

3. INVENTORIES

At June 30, 2018 and December 31, 2017, inventories consist of the following:

	June 30, 2018	December 31, 2017 (audited)
Raw Materials:		
Materials	$ 227,482	$ 308,916
Ingredients	111,918	117,332
Total Raw Materials	339,400	426,248
Finished Goods	68,742	83,460
Total Inventories	$ 408,142	$ 509,708

4. PROPERTY AND EQUIPMENT

At June 30, 2018 and December 31, 2017, property and equipment consists of:

	June 30, 2018	December 31, 2017 (audited)
Furniture and Fixtures	$ 174,934	$ 174,934
Equipment	234,440	232,433
Computer Equipment	64,643	64,643
Leasehold Improvements	508,377	508,378
Leased Equipment	743,584	406,809
Total Property and Equipment, Gross	1,725,978	1,387,197
Less: Accumulated Depreciation	(584,203)	(487,150)
Property and Equipment, Net	$ 1,141,775	$ 900,047

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	Property and Equipment, Gross	Accumulated Depreciation	Property and Equipment, Net
Balance as of December 31, 2017 (audited)	$ 1,387,197	$ (487,150)	$ 900,047
Additions	354,612	-	354,612
Disposals	(15,831)	1,486	(14,344)
Depreciation	-	(98,540)	(98,540)
Balance as of June 30, 2018	$ 1,725,978	$ (584,204)	$ 1,141,775

5. INTANGIBLE ASSETS

At June 30, 2018 intangible assets consist of the following Intellectual Property ("IP"):

	Balance at January 1, 2018	**Purchases**	**Amortization Expense**	**Balance at June 30 2018**
Formula	$ 37,500	$ -	$ 3,750	$ 33,750
License Agreement	568,570	-	77,748	490,823
Total Intangible Assets	$ 606,070	$ -	$ 81,498	$ 524,573

6. NOTES PAYABLE

At June 30, 2018 and December 31, 2017, notes payable consist of the following:

	June 30, 2018	**December 31, 2017 (audited)**
Unsecured promissory notes dated July - November, 2016, which maturing between July - November, 2017 (extended for 12 months); payment is due in full at maturity or to be converted into shares of DBI and membership interest in DBPN in 2018, interest at rate of 12% per annum paid quarterly.	$ 625,000	$ 625,000
Unsecured promissory note dated April, 2016, which maturing in April, 2017 (extended for 12 months); Payment in full is due on the maturity date of note, interest at rate of 12% per annum for six months and thereafter at a rate of 18% to accrue for the length of the note.	600,000	600,000

	June 30, 2018	December 31, 2017 (audited)
Unsecured promissory notes dated November - December, 2016, which maturing in May - June, 2018 (Company is in process of negotiating extensions); Payment in full is due on the maturity date of note, interest at rate of 12% per annum paid quarterly.	1,150,000	1,150,000
*Unsecured promissory notes dated January - June, 2017, which maturing in July, 2018 - January 2019; Payment in full is due on the maturity date of note, interest at rate of 12% per annum paid quarterly.	775,000	2,045,000
Unsecured promissory note dated September 8, 2017, which maturing on July 13, 2018; Payment in full is due on the maturity date of note, interest at rate of 8% per annum paid quarterly.	250,000	250,000
Unsecured promissory note dated September 8, 2017, which maturing on July 13, 2018; payment in full is due on the maturity date of note, interest at rate of 8% per annum, paid at maturity date.	275,000	275,000
Unsecured promissory note dated October - December, 2017, which maturing in October - December, 2018; Payment in full is due on the maturity date of note, interest at rate of 12% per annum paid quarterly.	-	825,000
Unsecured promissory note dated May 14, 2018, which maturing on May 14, 2019; Payment in full is due on the maturity date of note, interest at rate of 12% per annum paid quarterly.	250,000	-
Total Notes Payable	3,925,000	5,770,000
Less: Discounts	11,110	28,279
Less: Current Portion of Notes Payable	3,913,890	5,441,721
Notes Payable, Net of Current Portion	$ -	$ 300,000

*DBI issued notes collectively totaling $2,045,000 in 2017 ("DBI Notes"). The DBI Notes have a stated interest rate of 12% per annum and a 12-month maturity date. In connection with the principal of the DBI Notes, the Company issued 136,334 warrants to purchase DBI's common shares at $15.00 per share. The instrument meets the equity criteria under IAS 9. As such, the warrant was classified as an equity instrument. The DBI Note's fair value was recorded on initial recognition and will be accreted to the full principal over the expected term. The DBI Notes' fair value was recorded on initial recognition and will be accreted to the full principal over the expected term. Key assumptions used in the valuation include an expected term of two years from the inception date. Issuance costs were insignificant, were allocated to the warrants and expensed in the period incurred.

The fair values of the warrants were calculated using a Monte Carlo simulation, with the following assumptions:

	Inception
Risk-free Rate	1.20%
Expected Dividend Yield	0%
Expected Term (in years)	2.0

Warrant Components

	Initial Allocated Value 2017
Notes	$ 2,023,722
Warrant	21,278
Total Principal	**$ 2,045,000**

7. CONVERTIBLE NOTE

At June 30, 2018 and December 31, 2017 convertible note payable consist of the following:

	June 30, 2018	December 31, 2017 (audited)
Unsecured convertible promissory note dated July, 2016, which maturing in July, 2017 (extended to July 2018); payment is due in full at maturity or to be converted into shares of DBI and membership interest in DBPN in 2018, interest at rate of 8% per annum paid quarterly.	$ -	$ 500,000
Less: Discounts	-	135,426
Notes Payable	$ -	$ 364,574

DBI issued a convertible promissory note in July, 2016 for $500,000 ("Note"). The Note matures on the earlier of 2 years or the Company raising at least $10 million of capital. The Note is convertible into Series B preferred shares at 50% of the price per share under the Series B raise. Since the number of shares to be issued is unknown, the instrument did not meet the "fixed for fixed" criteria under IAS 9 - Financial Instruments: Presentation ("IAS 9"). As such, the conversion option was classified as a derivative liability and accounted for at fair value through profit and loss ("FVTPL"). The Note's fair value was recorded on initial recognition and will be accreted to the full principal over the expected term. Key assumptions used in the valuation include an expected term of two years from the inception date. Issuance costs were allocated to the conversion option and expensed in the period incurred, as these instruments are at FVTPL. In April 2018, the Company paid $1,460,396, to settle the note and accrued interest.

The fair value of conversion options ("derivative liability") was nil and $306,050 as at June 30, 2018 and 2017, respectively. The fair values of the derivatives were calculated using a Monte Carlo simulation, with the following assumptions:

	Inception	**December 31, 2017**	**June 30, 2018**
Risk-free Rate	1.20%	1.39	–
Expected Dividend Yield	0%	0%	–
Expected Term (in years)	2.0	0.50	–

8. STOCKHOLDERS' EQUITY

Preferred Stock

On April 17, 2018, the Company closed an offering ("Series B Financing") of 1,090,245 shares of its preferred stock at $3.67 per share for gross proceeds of $4,000,000. The Series B Financing was made to accredited investors in the U.S. and Canada on a non-brokered basis. Proceeds from the Series B Financing were used to pay the costs of the offering, repayment of existing indebtedness, working capital, and for general administrative expenses related to management and operation of the business.

Warrants

In connection with a settlement on April 1, 2018, the Company issued warrants to purchase 276,367 and 312,670 of Company's common shares at $.92 and $1.83, respectively, per share. The warrants meet the equity criteria under IAS 9. As such, the warrants will be classified as an equity instrument with a corresponding expense of $254,119 and 139,833, for the years ending December 31, 2017 and 2016, respectively.

Stock Incentive Plan

The Company's 2015 Incentive Shares Plan (the Plan), which is shareholder-approved, permits the grant of shares to its employees and other service providers for up to 400,000 shares of common stock. Share awards generally vest over three years. Certain share awards provide for accelerated vesting if there is a change in control (as defined in the Plan). The fair value of each share award is estimated by management based on third party valuation report.

A summary of activity under the Plan for the six month period ending June 30, 2018 is presented below:

	Restricted Stock Units
Outstanding at January 1, 2018	109,333
Granted	97,000
Vested	(37,000)
Forfeited	–
Outstanding at June 30, 2018	169,333
Vested and expected to vest at June 30, 2018	297,000

The weighted-average grant-date fair value of shares granted during the years 2018 and 2017 was $3.63 and $1.67, respectively. The total compensation expense recognized during the six months ended June 30, 2018 and 2017 was $32,919 and $39,353, respectively, and is included in general and administrative expense in the accompanying unaudited condensed interim consolidated statements of operations. Key assumptions used in the valuation include forfeitures are accounted for on an individual basis and the risk free rate was 1.05% and 1.39% at December 31, 2017 and 2016, respectively.

9. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

The Company leases its facility for DBI from Left Bank under a 54 month operating sub-lease agreement that expires in November 2018, and requires escalating annual rentals not exceeding $209,907 in the final year of the lease. Total rent expense paid to Left bank for the six months ended June 30, 2018 and 2017 was $104,954 and $102,896 respectively. The total minimum rental commitment at June 30, 2018, under the lease is $87,461.

The Company has subleased this equipment to Left Bank under a non-cancellable agreement, which expires in August 2019, and requires a monthly rental of $3,562.

Related party advances and notes receivable:

At June 30, 2018 and December 31, 2017, related party notes receivable consist of the following:

	June 30, 2018	December 31, 2017 (audited)
Left Bank	$ 774,659	$ 974,987
Dixie Holdings	79,815	67,700
Silver State Wellness	500,000	500,000
Total Related Party Notes Receivable	1,354,474	1,542,687
Related Party Advances	831,887	831,887
Less: Allowance on Related Party Advances	160,000	-
Total Related Party Advances and Notes Receivable	$ 2,026,361	$ 2,374,574

A summary of activity under the notes for the ending balance at June 30, 2018 is as follows:

Balance as at December 31, 2017 (audited)	$ 2,374,574
Additions	12,115
Change in Allowance on Related Party	20,000
Affect of IFRS 9 adoption	(180,000)
Payments Received	(200,328)
Balance as at June 30, 2018	$ 2,026,361

DBI holds two notes receivable from Left Bank. The first note for $315,000, was issued for operational funding during 2014 and 2015. The second note was issued in September, 2017 for $750,000 to convert advances into notes receivable. The notes accrue interest at 2% per annum and are payable at maturity in June 2022. Interest on these notes is not significant as at June 30, 2018 and December 31, 2017.

Purchases and sales between Left Bank and DBI are recorded in accounts receivable or accounts payable. At June 30, 2018 and December 31, 2017, the Company had $1,401,086 and $808,037, respectively of accounts receivable from Left Bank.

DBI has a note receivable from Dixie Holdings, for $79,816 and $67,700, as at June 30, 2018 and December 31, 2017, respectively. DBI and Dixie Holdings have common ownership. The note accrues interest at 2% per annum and are payable at maturity in December 2018. Interest on this note is not significant. as at June 30, 2018 and December 31, 2017.

In October 2016, DBPN issued $500,000 under a note receivable bearing interest at 12% from Silver State Wellness, a company who owns 30% of DBPN. DBPN had non-interest bearing advances receivable from Silver State Wellness for $831,887 as at June 30, 2018 and December 31, 2017. DBPN has equity contributions receivable of $228,263 as at June 30, 2018 and December 31, 2017 from Silver State Wellness. At June 30, 2018 and December 31, 2017, the Company had $1,349,795 and $868,207, respectively of accounts receivable from Silver State Wellness.

Compensation of key management personnel:

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors. A summary of for the six months ending June 30, 2018 and June 30, 2017 is as follows:

	June 30, 2018	June 30, 2017
Management Compensation	$ 125,000	$ 250,000
Directors' Fees	-	-
Share-Based Payments (a)	66,800	-
	$ 191,800	$ 250,000

(a) Share based payments are the fair value of options granted and vested to key management and directors of the company under the Company's stock incentive share plan (Note 7)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

A summary of activity for level 3 derivative liabilities for the six months ending June 30, 2018 and June 30, 2017 is presented below:

	2018	2017
Balance as at January 1	$ 498,232	$ 387,622
Change in Fair Value	1,768	(81,605)
Exercise	(500,000)	-
Balance at June 30	$ -	$ 306,017

There were no material reclassifications between fair value levels during the six months ended June 30, 2018.

11. COMMITMENTS AND CONTINGENCIES

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Contingent liabilities associated with legal proceedings are recorded when a liability is probable, and the contingent liability amount can be reasonably estimated.

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as at June 30, 2018, medical and adult use cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

12. FINANCIAL RISK MANAGEMENT

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of June 30, 2018 is the carrying amount of cash, accounts receivable, related party advances and notes receivable.

In addition to credit risk, concentration of risks arises as a result of the concentration of customers. The Company has two customers that account for approximately $2,100,000 of the over 90 days receivable.

Total receivable	$3,121,954
More than 90 days	$2,345,951
Allowance	279,083

In order to determine the allowance for credit losses, the Company conducts an analysis of each customer comprising the individual balances within its accounts receivable, including the counterparty's identity, customary pay practices, length of time as a customer, obtaining financial assurances and the terms of the contract under which the obligation arose.

Based on the review of the individual customers within accounts receivable, at June 30, 2018, and specifically the balances greater than 90 days, a provision of $279,083 was recorded.

There has been an increase in the accounts receivable balance past due from December 31, 2017, however, the Company has entered into agreements subsequent to the quarter end with third parties that will reduce a significant portion of the outstanding amounts by May 15, 2019.

The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination and duration and terms of the note. Notes that are overdue are assessed for impairment. The impairment amount as of June 30, 2018 was $160,000.

The Company considers payment history and financial strength when assessing accounts receivable and related party advances for impairment. Lack of payment and ability to pay are assessed for impairment. The impairment amount as of June 30, 2018 was $279,083.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's cash holdings. As at June 30, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one-year, and notes payable, which have a contractual maturity within 18 months. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of members' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended June 30, 2018.

13. SUBSEQUENT EVENTS

On October 1, 2018, the Company closed an offering ("Series C Financing") of 2,688,172 DBI's units of securities where each unit consist of one common and one warrant ("Series C Warrants", together with the common shares and warrants ("Company Units") for aggregate gross proceeds of $25,000,000. The purchase price of each Company Unit is $9.30. Each Series C Warrant shall entitle the holder thereof to acquire one DBI share of common stock for $13.95, for a term of one year. As part of the Series C Financing, $1,375.000 of debt was exchanged for common shares ("Debt Conversion") at the same deemed value of the Company as the Series C Financing. Concurrently with the Series C Financing, certain members of senior management of the Company will be awarded Management Options, exercisable at $20.00 per share. Proceeds of the Series C Financing will be used to pay the costs of the financing, expenses associated with a planned reverse takeover transaction, repayment of debt, working capital expenses, including financing the Company's expansion plans.

Concurrently with the Series C Financing, each share of preferred stock will automatically convert into common stock at $2.89 per share and all preferred stock will be cancelled.

SCHEDULE E

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF USA INC.

Dixie Brands, Inc.

Management Discussion and Analysis
For the year ended December 31, 2017

This Management Discussion and Analysis ("MD&A") of Dixie Brands, Inc. (the "Company") provides analysis of the Company's financial condition and results for the year ended December 31, 2017. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following information should be read in conjunction with the accompanying audited financial statements and the notes thereto. This MD&A was prepared using information that is current as of September 30, 2018, unless otherwise stated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 - *Continuous Disclosure Obligations of the Canadian Securities Administrators.*

This discussion includes certain statements that may be deemed "forward-looking statements". All Statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements based on reasonable assumptions, such statements are not guarantees of future performance and actual results or development may differ materially from those forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

The MD&A was prepared and approved by management of the Company on October 26, 2018.

Overview of the Company

Dixie Brands, Inc., (referred to as DBI) is a Delaware Corporation and derives revenues substantially from the cannabis industry in certain states of the United States, which industry is illegal under U. S. federal law. DBI is indirectly involved (through its subsidiaries and licensees) in the cannabis and hemp oil industry in the U. S. where local state laws permit such activities. Currently, its subsidiaries and licensees are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and hemp oil in the recreational and medicinal cannabis market in the states of California, Colorado, Maryland and Nevada.

The principal business is the branding, marketing and licensing of certain technology and Product names related to THC-Products, including brands such as "DIXIE™ ELIXIRS & EDIBLES", as well as full spectrum hemp oil derived human and animal dietary supplements through the brands "Aceso Wellness" and "Therabis" in the United States, Canada, Mexico, Australia and New Zealand.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the years ending December 31, 2016 and 2017.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	2017	2016
Revenues	$ 3,339,387	$ 2,378,299
Cost of Goods Sold	1,763,777	1,638,741
Gross Profit	1,575,610	739,558
Total Expenses	4,333,894	4,201,347
Loss From Operations	(2,758,284)	(3,461,789)
Total Other Expense	1,581,654	904,198
Net Loss Attributable to the Company	$ (4,040,036)	$ (4,027,121)
Current Assets	$ 2,468,335	$ 2,111,821
Total Assets	$ 6,349,026	$ 6,004,345
Total Liabilities	$ 8,561,559	$ 3,970,490

Revenue

Revenue for the year ending December 31, 2017, increased $961,088 (40%) from the prior year. This was primarily attributable to increased branding and licensing fees associated with our affiliate markets, such as Maryland, Nevada and Colorado. Additionally, the company realized increased revenue from our hemp oil supplement businesses, in particular Therabis, as new distribution channels came on-line.

Overall, revenues related to Packaging and Licensing increased by $602,255 (25.3%) in 2017. Consulting revenue increased by $130,560 (138.1%). Miscellaneous/other revenue increased by $228,272 (242.2%).

Gross Profit

Gross margins increased to 47.2% for the year ended December 31, 2017 from 31.1% for the year ended December 31, 2016 and was primarily attributable to increased efficiency associated with the production of our hemp supplement businesses as well as increasing higher margin branding fee revenue

In total, Gross Profit increased by $836,052 in 2017 (an increase of 113% from 2016). Gross profit related to Packaging and Licensing increased by $596,083 (68.5%) in 2017. Consulting gross profit increased by $17,853 (85.7%). Miscellaneous/other gross profit decreased by $222,115 (203.4%).

Total Expenses:

Overall expenses increased from 2016 to 2017 and was primarily attributable to an increase in general and administrative expenses in support of product portfolio expansion, current infrastructure upgrades, development of distribution channels, and national operations expansion.

Current Assets

Current assets increase from December 31, 2016 to December 31, 2017 was mainly attributable to an increase in accounts receivable and inventories related to sales growth.

Current Liabilities

The increase in current liabilities is attributable to increased accounts payable and accrued payroll costs related to sales growth.

Discussion of Operations

DBI plans to expand the DIXIE™ brand and line of products into U.S. states where medical and recreational marijuana are legal by contracting with local state license holders in those states to produce and distribute DIXIE™ brand products. DBI anticipates it will be paid an initial production and service fee as well as monthly branding fees, negotiated on a state-by-state basis, for each unit or a derivative thereof sold. DBI may also enter into financial transactions to support licensees or affiliated manufacturing companies in order to promote, support, and develop sales and distribution of DIXIE™ products including through investment in joint ventures in various states. DBI may also provide consulting services to manufacturers and retailers, in compliance with applicable state law; serve as a real estate, fixtures and equipment holding and management company that will acquire, lease, develop and/or manage real property, industrial fixtures and equipment and lease and/or sublease such infrastructure to manufacturers and retailers; invest in such companies, in compliance with applicable state law; and enter into financial transactions to support such, including, without limitation, loan transactions, in order to promote, support, and develop sales and distribution of products utilizing its portfolio of intellectual property.

Significant Events or Milestones

Over the next twelve months, DBI has allocated $5,200,000, based on past experience, to secure license agreements and launch operations in Florida, Massachusetts, Michigan, Oregon, and Pennsylvania. The launch of operations will include expenses necessary for a facility build out, capital expenditures, and initial investment to cover early operating cost. DBI has already secured a license agreement in Canada with Auxly/DoseCann and is preparing for production. DBI has allocated $1,000,000 each, $2,000,000 total, to the expansion of distribution channels and product development for Aceso and Therabis. DBI has an extensive product innovation pipeline, many of which are not being manufactured by any other infused products manufacturer.

Liquidity & Capital Resources

On April 17, 2018 DBI closed its Series B Financing for gross proceeds of US $4.0 million. On July 26, 2018, DBI commenced its Series C Financing for expected gross proceeds of US $25,000,000 and is expected to close third quarter 2018.

DBI has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital to finance its activities moving forward for the foreseeable future.

Uses of Proceeds

Proceeds from the financings will be used to repay remaining indebtedness including outstanding promissory notes, fund continued revenue growth in California and Nevada, provide capital for expansion into new U.S. states such as Massachusetts, Michigan, Florida, Oregon and Pennsylvania, for general working capital, for product development, and to further develop the management team and company infrastructure to support international expansion efforts. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may require additional funds beyond the funds raised in order to fulfill all of its expenditure requirements to meet its new business objectives and expects to either issue additional securities or incur debt. There can be no assurance that additional funding required by the Company will be available if required. However, it is anticipated that available funds subsequent to closing the Series C Offering will be sufficient to satisfy the Company's objectives over the next 12 months.

Financial Risk Management

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company's exposure to non-payment or non-performance by our counterparties is a credit risk. The maximum credit exposure as at December 31, 2017 is the carrying amount of cash, accounts receivable and other receivables and promissory notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of December 31, 2017. The Company mitigates its credit risk on its other receivables and promissory notes receivable through its review of the counterparties and business review. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination and duration and terms of the note. Notes that are overdue are assessed for impairment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's cash holdings. As at December 31, 2017, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one-year, and notes payable, which have a contractual maturity within 18 months. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of members' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2017.

Dixie Brands, Inc.

Management Discussion and Analysis
For the three months and six months ended June 30, 2018

This Management Discussion and Analysis ("MD&A") of Dixie Brands, Inc. (the "Company") provides analysis of the Company's financial condition and results for the three months and six months ended June 30, 2018. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following information should be read in conjunction with the accompanying audited financial statements and the notes thereto. This MD&A was prepared using information that is current as of October 15, 2018, unless otherwise stated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators.

This discussion includes certain statements that may be deemed "forward-looking statements". All Statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements based on reasonable assumptions, such statements are not guarantees of future performance and actual results or development may differ materially from those forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

The MD&A was prepared and approved by management of the Company on October 26, 2018.

Overview of the Company

Dixie Brands, Inc., (referred to as DBI) is a Delaware Corporation and derives revenues substantially from the cannabis industry in certain states of the United States, which industry is illegal under U. S. federal law. DBI is indirectly involved (through its subsidiaries and licensees) in the cannabis and hemp oil industry in the U. S. where local state laws permit such activities. Currently, its subsidiaries and licensees are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and hemp oil in the recreational and medicinal cannabis market in the states of California, Colorado, Maryland and Nevada.

The principal business is the branding, marketing and licensing of certain technology and Product names related to THC-Products, including brands such as "DIXIE™ ELIXIRS & EDIBLES", as well as full spectrum hemp oil derived human and animal dietary supplements through the brands

"Aceso Wellness" and "Therabis" in the United States, Canada, Mexico, Australia and New Zealand.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the three months and six months ending June 30, 2018 and 2017.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues	$ 817,558	$ 881,838	$ 1,755,130	$ 1,463,596
Cost of Goods Sold	434,388	452,518	895,532	698,825
Gross Profit	383,170	429,320	859,598	764,771
Total Expenses	1,943,738	989,136	2,934,385	2,185,656
Loss From Operations	(1,560,568)	(559,816)	(2,074,787)	(1,420,885)
Total Other (Income) Expense	(289,879)	153,144	13,856	197,204
Net Loss Attributable to Company	$ (1,187,194)	$ (663,248)	$ (1,994,914)	$ (1,459,551)

	June 30, 2018	December 31, 2017
Current Assets	5,624,453	2,468,335
Total Assets	9,317,162	6,349,026
Total Liabilities	9,474,850	8,561,559

Revenue

Revenue for the three months ending June 30, 2018, decreased by $64,279(-7.3%) from the prior year. Revenue for the six months ending June 30, 2018 increased by $291,534(19.9%) from the prior year mainly due to an increase in revenue from our hemp oil supplement businesses, in particular Therabis, as new distribution channels came on-line.

Specifically, for the three months ending June 30, 2018 revenues related to Packaging and Licensing decreased by $111,683(-9.6%) over the previous year. Consulting revenues decreased by $13,701 (-21.7%) and interest/misc. related revenue increased by $61,105 (11.5%).

For the six months ending June 30, 2018 revenues related to Packaging and Licensing increased by $35,528(3.2%) over the previous year. Consulting revenues decreased by $55,459 (-46.8%) and interest/misc. related revenue increased by $311,465 (141.9%).

Gross Profit

For the three months ending June 30, 2018 gross profit decreased $46,149(-10.7%) year over year as a result of the improved overall sales volume. Gross margins declined to 46.9% from 48.7% year over year and were primarily attributable to year over year general fluctuations in product sales mix.

Specifically, gross profit related to Packaging and Licensing decreased by $101,495 (-29.6%) over the previous year. Consulting GP decreased by $5,206 (-12.8%) and interest/misc. related revenue increased by $60,553 (11.6%).

For the six months ending June 30, 2018 gross profit increased $94,827(12.4%) year over year as a result of the improved overall sales volume. Gross margins declined to 49.0% from 52.3% year over year and were primarily attributable to year over year general fluctuations in product sales mix.

Specifically, gross profit related to Packaging and Licensing increased by $190,645(-35.7%) over the previous year. Consulting GP decreased by $28,261 (-113.3%) and interest/misc. related revenue was increased by $313,732 (152.1%).

Total Expenses

Overall expenses increased $669k for the six months ending June 30, year over year and was primarily attributable to increased legal fees and accounting professional services associated with the public offering preparation, and intensified industry related lobbying efforts. Marketing expenses decreased in 2018 from the prior year due to increased marketing expenditures in the first half of 2017 connected with new product introductions and national expansion initiatives that did not repeat in 2018.

Current Assets

Current assets for the six months ending June 30, 2018, were up $3,156k year over year mainly due to increased cash on hand resulting from the series B capital raise.

Current Liabilities

Current liabilities were up $1,730k year over year due to a combination of increased accounts payable and accrued payroll costs related to sales growth, an increase in contractual unearned revenue resulting from a new licensing agreement for product sales in Canada and Mexico, and a decrease in the short-term portion of notes payable.

Discussion of Operations

DBI plans to expand the DIXIE™ brand and line of products into U.S. states where medical and recreational marijuana are legal by contracting with local state license holders in those states to produce and distribute DIXIE™ brand products. DBI will be paid an initial production and service fee as well as monthly branding fees, negotiated on a state-by-state basis, for each unit or a derivative thereof sold. DBI may also enter into financial transactions to support licensees or affiliated manufacturing companies in order to promote, support, and develop sales and distribution of DIXIE™ products including through investment in joint ventures in various states. DBI may also provide consulting services to manufacturers and retailers, in compliance with applicable state law; serve as a real estate, fixtures and equipment holding and management company that will acquire, lease, develop and/or manage real property, industrial fixtures and equipment and lease and/or sublease such infrastructure to manufacturers and retailers; invest in such companies, in compliance with applicable state law; and enter into financial transactions to support such, including, without limitation, loan transactions, in order to promote, support, and develop sales and distribution of products utilizing its portfolio of intellectual property.

Significant Events or Milestones

Over the next twelve months, DBI has allocated $5,200,000 to secure license agreements and launch operations in Florida, Massachusetts, Michigan, Oregon, and Pennsylvania. DBI has already secured a license agreement in Canada with Auxly/DoseCann and is preparing for production. DBI has allocated $2,000,000 to the expansion of distribution channels and product development for Aceso and Therabis. DBI has an extensive product innovation pipeline, many of which are not being manufactured by any other infused products manufacturer.

Liquidity & Capital Resources

On April 17, 2018 DBI closed its Series B Financing for gross proceeds of US $4.0 million. On July 26, 2018, DBI commenced its Series C Financing for expected gross proceeds of US $25,000,000 and is expected to close third quarter 2018.

DBI has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital to finance its activities moving forward for the foreseeable future.

Uses of Proceeds

Proceeds from the financings will be used to repay remaining indebtedness including outstanding promissory notes, fund continued revenue growth in California and Nevada, provide capital for expansion into new U.S. states such as Massachusetts, Michigan, Florida, Oregon and Pennsylvania, for general working capital, for product development, and to further develop the management team and company infrastructure to support international expansion efforts. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may require additional funds beyond the funds raised in order to fulfill all of its expenditure requirements to meet its new business objectives and expects to either issue additional securities or incur debt. There can be no assurance that additional funding required by the Company will be available if required. However, it is anticipated that available funds subsequent to closing the Series C Offering will be sufficient to satisfy the Company's objectives over the next 12 months.

Financial Risk Management

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The company's exposure to non-payment or non-performance by our counterparties is a credit risk. The maximum credit exposure as at June 30, 2018 is the carrying amount of cash, accounts receivable and other receivables and promissory notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of June 30, 2018. The Company mitigates its credit risk on its other receivables and promissory notes receivable through its review of the counterparties and business review. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination and duration and terms of the note. Notes that are overdue are assessed for impairment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's cash holdings. As at June 30, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one-year, and notes payable, which have a contractual maturity within 18 months. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of members' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended June 30, 2018.