

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

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of securities only in those jurisdictions where such securities may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except in transactions exempt from registration under the U.S. Securities Act and under the securities laws of any applicable state. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See “Plan of Distribution”.*

## **PRELIMINARY PROSPECTUS**

**Non-Offering**

**March 22, 2018**

# **TIDAL ROYALTY CORP.**

## **180,000,000 Common Shares and Warrants on Exercise of 180,000,000 Special Warrants**

This preliminary prospectus (the “Prospectus” or “preliminary prospectus”) qualifies the distribution of 180,000,000 common shares (the “Underlying Shares”) and 180,000,000 common share purchase warrants (the “Underlying Warrants”) of Tidal Royalty Corp. (the “Company”, “we” or “us”) to be distributed without additional payment upon the exercise or deemed exercise of 180,000,000 special warrants (the “Special Warrants”) of the Company. The Special Warrants were sold and distributed by the Company at \$0.05 per Special Warrant pursuant to a non-brokered private placement (the “Offering”) as of March ●, 2018 (the “Closing Date”).

The Special Warrants are governed by terms and conditions contained in the issued Special Warrant certificates (the “Special Warrant Certificates”). Subject to the terms and conditions thereof, each Special Warrant entitles the holder thereof to receive one Underlying Share and one Underlying Warrant (together an “Underlying Unit”), subject to adjustment in certain circumstances, without payment of additional consideration on the earlier of (i) four months and a day following the Closing Date, and (ii) upon a final receipt being issued for this Prospectus.

**No additional Special Warrants are available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the Underlying Shares and Underlying Warrants upon exercise of the Special Warrants.**

**NO UNDERWRITER WAS INVOLVED IN THE DISTRIBUTION OF THE SPECIAL WARRANTS OR IN THE PREPARATION OF THIS PROSPECTUS. THE COMPANY DOES NOT ENGAGE IN THE BUSINESS OF TRADING AND ADVISING IN SECURITIES AND HAS NOT DONE SO WITH RESPECT TO THE OFFERING.**

	<b>Price to the Investors<sup>1</sup></b>	<b>Gross Proceeds to the Company<sup>2</sup></b>
Per Special Warrant	\$0.05	\$0.05
Total – 180,000,000 Special Warrants	\$9,000,000	\$9,000,000

1. The Special Warrants were offered for sale exclusively to the Investors. See ‘Plan of Distribution’.
2. Before expenses of the Offering of \$110,000 (including legal fees and filing fees), and finder’s fees of \$690,000, which are to be paid by the Company.

The Company issued the Special Warrants on a private placement basis to • accredited investors, (as such term is defined under National Instrument 45-106) (collectively the “Investors”), pursuant to subscription agreements entered into between the Company and each Investor.

**The Underlying Shares, Underlying Warrants and common shares issuable upon exercise of the Underlying Warrants (“Warrant Shares”) are speculative in nature. There are numerous risk factors involving the Company and its business. An investment in the securities of the Company is speculative and involves a significant degree of risk. See “Risk Factors” in this Prospectus.**

**The CSE has provided conditional approval for the listing of the Underlying Shares and Warrant Shares. See “Plan of Distribution” and “Risk Factors”.**

The Company agreed with the Investors to use reasonable commercial efforts to clear resale restrictions that are or may be applicable to the Underlying Units by seeking to clear a final Prospectus in Canada qualifying the distribution of the Underlying Units for resale in Canada.

The definitive certificates representing Underlying Shares and Underlying Warrants issuable upon the exercise of the Special Warrants will be available for delivery within six business days after the automatic exercise of the Special Warrants, which will occur on the earlier of (i) four months and a day following the Closing Date, and (ii) upon a final receipt being issued for this Prospectus.

**There is no market through which any of the Company’s securities may be sold and purchasers may not be able to resell securities referred to in this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of Company regulation. See “Risk Factors”.**

As at the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

**The Company has applied to list its outstanding Shares, the Underlying Shares and Warrant Shares (if any) on the Canadian Securities Exchange (“CSE”). Listing will be subject to the Company fulfilling all the initial listing requirements of the CSE, including the prior exercise of the Special Warrants.**

**This prospectus qualifies the distribution of securities of an entity that currently has, or will have, a material ancillary involvement (by financing and holding one or more royalty interests) in California-based entities involved in the manufacture, possession, use, sale or distribution of cannabis in the adult-use and medical cannabis industries in California. Cannabis, while legalized and regulated at the California state level, is currently a controlled substance under the U.S. *Controlled Substances Act* of 1970 (“CSA”). Under the CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is illegal. Enforcement of such federal law is a significant risk. Strict compliance with state laws with respect to cannabis will neither absolve the Company of potential liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company’s operations and financial performance. The above is notwithstanding that the Company is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the adult-use or medical cannabis marketplaces.**

**As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the paramouncy of federal law in the United States, enforcement**

of such laws may be limited by other means or circumstances, which are further described in this prospectus. See “Description of the U.S. Legal Cannabis Industry – Legal and Regulatory Matters”. The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of risks associated with the business of the Company. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future operations of the Company or one or more of its investee operators. As such, there are a number of risks associated with the Company's existing and future operations in the United States, and such operations may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to conduct its operations in the United States or any other jurisdiction. See “Risk Factors – Risks Related to the Cannabis Industry”. For the reasons set forth above, the Company's existing or future interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

Overall, there are a number of risks associated with the business of the Company. See “Risk Factors”.

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## GLOSSARY OF GENERAL TERMS

The following is a glossary of certain general terms used in this Prospectus:

<b>Board</b>	means the board of directors of the Company.
<b>Closing Date</b>	means the date the Offering was closed, being March ●, 2018.
<b>Common Share, or Share</b>	means a common share without par value in the capital stock of the Company.
<b>Company, we, or us</b>	means Tidal Royalty Corp.
<b>CSA</b>	means the U.S. <i>Controlled Substance Act</i> of 1970.
<b>CSA Notice 51-352</b>	has the meaning ascribed to it under the heading “Description of the U.S. Legal Cannabis Industry”.
<b>Desert Horizons</b>	means Desert Horizons II LLC, a private California company with operations in the Palm Springs area of California.
<b>Effective Date</b>	means the date the Securities Commissions issue a final receipt for this Prospectus.
<b>Escrow Agent</b>	means ATS Trust.
<b>Escrow Agreement</b>	means the agreement dated effective ●, 2018 among the Company, the Escrow Agent, and certain shareholders of the Company whereby the Escrowed Securities are held in escrow by the Escrow Agent.
<b>Escrowed Securities</b>	means those ● Shares and ● Underlying Warrants which are subject to the Escrow Agreement.
<b>Exchange or CSE</b>	means the Canadian Securities Exchange.
<b>Investors</b>	means persons who acquired the Special Warrants under the Offering.
<b>legal cannabis industry</b>	means any business being carried out in a State of the United States that pertains in any way to cannabis, which is carried out in compliance with all applicable State laws.
<b>Lenders’ Warrants</b>	mean the Share purchase warrants in the capital of the Company, which may be issued upon drawdown of the Loan Facility; each such warrant entitling the holder to acquire one Share at \$0.33 for a period of 12 months following the date of issue.
<b>Listing Date</b>	means the date the Company’s Shares are first listed for trading on the Exchange.
<b>Loan Facility</b>	means that unsecured loan facility available to the Company of up to \$4,000,000 pursuant to a loan agreement among the Company and certain lenders.
<b>Named Executive Officers, or NEOs</b>	means Paul Rosen (the Company’s CEO), and Johannes (Theo) van der Linde (the Company’s CFO).
<b>NI 41-101</b>	means National Instrument 41-101, <i>General Prospectus Requirements</i> .
<b>Offering</b>	means the prior distribution by the Company of 180,000,000 Special Warrants; sold at \$0.05 per Special Warrant, for gross proceeds of \$9,000,000.
<b>Prospectus</b>	means this long-form non-offering prospectus.

<b>Royalty Agreement</b>	means that agreement dated April 1, 2018 between the Company and Desert Horizons whereby the Company will advance funds to Desert Horizons for its use in expanding its cannabis cultivation, processing and manufacturing operations, in exchange for a royalty based on gross sales.
<b>Securities Commissions</b>	means the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario.
<b>Special Warrant</b>	means a security in the capital of Company, as distributed pursuant to the Offering; each Special Warrant entitling the holder thereof to receive one Underlying Unit for no additional consideration.
<b>Stock Option Plan</b>	means the Company's 20% fixed stock option plan.
<b>TSE</b>	means the Toronto Stock Exchange.
<b>Underlying Share</b>	means a Share, forming part of an Underlying Unit, to be issued upon conversion of a Special Warrant.
<b>Underlying Unit</b>	means together, an Underlying Share and an Underlying Warrant, to be issued upon conversion of a Special Warrant.
<b>Underlying Warrant</b>	means a Share purchase warrant in the capital of the Company, forming part of an Underlying Unit, to be issued upon conversion of a Special Warrant; each such warrant entitling the holder to acquire one Warrant Share at \$0.05 for a period of 24 months following the Closing Date.
<b>U.S. or United States</b>	means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.
<b>Warrant Share</b>	means a Share issuable upon the exercise of an Underlying Warrant.

### **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

The information provided in this Prospectus, including schedules and information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then-current expectations of the Company 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 available funds of the Company and the anticipated use of such funds;
- the availability of financing opportunities, legal and regulatory risks inherent in the legal cannabis industry, risks associated with economic conditions, dependence on management, and currency risk; and

- other risks described in this Prospectus and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Prospectus and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company 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. See “*RISK FACTORS*”.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Unless otherwise noted, all currency amounts are stated in Canadian dollars.*

### **The Company**

The Company was incorporated under the laws of British Columbia on March 12, 1980 as Treminco Resources Ltd. On February 19, 1999, it changed its name to Elkhorn Gold Mining Corporation; on October 12, 2011, it changed its name to Tulloch Resources Ltd.; and effective July 18, 2017 the Company changed its name to Tidal Royalty Corp.

Between 1985 and 2000, the Company was involved in mineral exploration and was listed initially on the Vancouver Stock Exchange (as it was then known) and subsequently on the TSE. On September 4, 2001, the Company's shares were delisted from the TSE for failure to meet continued listing requirements. Cease trade orders ("CTOs") were imposed on the Company by the British Columbia Securities Commission and the Ontario Securities Commission (the "Commissions") on January 3, 2002 and January 11, 2002, respectively. Between April 2001 and July 2010, the Company was inactive and did not carry on any business.

On January 16, 2012, pursuant to Section 171 of the British Columbia *Securities Act* and Section 144 of the Ontario *Securities Act*, the Ontario and British Columbia Securities Commissions issued revocation orders in respect to the prior CTOs issued against the Company. As part of the revocation, the Company undertook not to complete a transaction that would result in a Reverse Takeover while the Company is not listed on a "recognized stock exchange" unless prior to closing of such transaction, the Company provided the British Columbia Securities Commission with at least 10 business days' notice of the transaction.

Between 2012 and 2017, the Company identified and reviewed a number of opportunities but did not proceed with any project. In July 2017, the Company announced its intention to focus on the legal cannabis industry in the United States of America ("U.S.").

### *Royalty Agreement*

Effective April 1, 2018 the Company and Desert Horizons executed the Royalty Agreement, pursuant to which the Company will advance funds to acquire a royalty interest in the future sales generated from Desert Horizons' Palm Springs, California development. Under the Royalty Agreement:

- the Company will advance \$7,500,000 USD to Desert Horizons in order to build out the first phase of Desert Horizons' cultivation and manufacturing facility in Palm Springs, California, which will consist of 10,000 sq. ft. of indoor cultivation space and 10,000 sq. ft. of manufacturing space (the "**First Palm Springs Development**");
- the Company will advance the \$7,500,000 USD to Desert Horizons in tranches, as development milestones are met in connection with the construction and operation of the First Palm Springs Development;
- in consideration for the aggregate \$7,500,000 USD advanced, the Company will receive a 99-year royalty on all gross sales (less applicable sales or excise taxes and any allowances for returns) from the First Palm Springs Development;
- the Company will have certain protections with respect to the First Palm Springs Development, including but not limited to: the right to review and approve all construction budgets; being a named loss-payee under applicable insurance policies; and, being granted security over certain assets by Desert Horizons;
- the Company will have a right of first refusal to finance the second phase of Desert Horizons' cultivation and manufacturing development in Palm Springs, California, and subsequent developments planned in Coachella, California, in exchange for a corresponding royalty on all gross sales from those projects. The aggregate amount of funds advanced to Desert Horizons if the Company finances all projects contemplated by Desert Horizons will be approximately \$50,000,000 USD; and,



- Desert Horizons may, upon a liquidation event (being a third-party purchase of Desert Horizons or its assets, Desert Horizons obtaining a public listing of its shares, or some analogous event), buy out the remaining term of the royalty at a price utilizing an agreed-upon formula.

### The Offering

The 180,000,000 Special Warrants were issued pursuant to and are governed by and subject to the terms and conditions of the Special Warrant Certificates which are each dated as of the Closing Date. The Special Warrant Certificates provide, among other things, that the holders of Special Warrants will be entitled to receive, upon exercise or deemed conversion of the Special Warrants, without payment of any additional consideration and subject to adjustment in certain circumstances, one Underlying Unit for each Special Warrant held, upon the earlier of (i) a receipt being issued for a final Prospectus; and (ii) four months and a day following the Closing Date. See “*Plan of Distribution*” and “*Description of Securities Distributed*” for details.

### Business Objectives and Milestones

Our short-term business objectives are to: (i) obtain a listing of our Shares on the Exchange; and (ii) execute the Company’s business plan. See “*Description of the Company’s Business*” and “*Use of Proceeds*” for details.

### Directors and Officers

The officers and directors of the Company are:

Paul Rosen	Chief Executive Officer, Director and Member of the Audit Committee
Theo van der Linde	Chief Financial Officer and Director
Brendan Purdy	Director and Member of the Audit Committee
Stuart Wooldridge	Director and Member of the Audit Committee
Kathryn Witter	Corporate Secretary

See “*Directors and Executive Officers*” for details.

### Consolidated Capitalization

The Company currently has 2,843,636 Shares and 180,000,000 Special Warrants outstanding. There are no other options, warrants or securities convertible into Shares outstanding. Upon conversion of the Special Warrants the Company will issue 180,000,000 Underlying Units and have 182,843,636 Shares and 180,000,000 Underlying Warrants outstanding.

The following table shows the effect of the Offering and the conversion of the Special Warrants on the Company’s issued and outstanding share capital:

Description	Before Giving Effect to the Issuance of Special Warrants	After Giving Effect to the Issuance of Special Warrants	After Giving Effect to the Exercise of Special Warrants
Common Shares	2,843,636	2,843,636	182,843,636
Special Warrants	nil	180,000,000	nil
Underlying Warrants	nil	nil	180,000,000
Lenders’ Warrants	nil	nil	2,000,000 <sup>2</sup>
Stock Options <sup>1</sup>	nil	nil	17,568,727

1. To be issued after Closing pursuant to the Company’s Stock Option Plan as adopted and approved by the Company’s shareholders on September 5, 2017.
2. Maximum number issuable under the Loan Facility.

## Risk Factors

The Company's business involves risks, uncertainties, and other factors many of which are beyond the control of the Company, which risk factors include, but are not limited to: (i) those related to the cannabis industry, including heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities leading to trading and regulatory risks; U.S. and Canadian laws, changes in laws, regulations, and/or guidelines; unfavourable publicity or consumer perception; the Company's limited operating history; competition; banking issues related to the legal cannabis industry; and (ii) general business risks, including the Company's additional financing requirements; currency fluctuations; operational permits and authorizations; liability and enforcement complaints; price volatility of publicly traded securities; dependence and reliance upon existing management, as well as specialists in the cannabis sector; management of growth; dividends; intellectual property; insurance coverage; costs of maintaining a public listing; litigation; operational risks; difficulty in implementing business strategy; conflicts of interest; and available talent pool.

The Company is not directly or indirectly engaged in the manufacture, possession, use, sale or distribution of cannabis in the adult-use or medical cannabis marketplace in the United States. However, the Company is expected to have a material ancillary involvement in the U.S. cannabis industry, through its Royalty Agreement with Desert Horizons and possible future financing of entities directly engaged in such activities and deriving most of its revenues from royalties acquired by such financings. While the U.S. cannabis industry is legalized and regulated at the state-level by several states, cannabis is currently a controlled substance under the CSA. Strict compliance with state laws with respect to cannabis will neither absolve the Company of potential liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

See "Risk Factors" for more details.

## Summary of Selected Financial Information

The following table summarizes selected audited financial data of the Company for the fiscal years ended July 31, 2017 and 2016 as well as unaudited management prepared financial data for the three months ended October 31, 2017, and should be read in conjunction with the financial statements and the related notes thereto, together with management's discussion and analysis, as included elsewhere in this Prospectus:

For the year (period) ended (Expressed in Canadian dollars)	October 31, 2017	July 31, 2017	July 31, 2016
Revenue	nil	nil	nil
Expenses	\$56,077	\$32,424	\$58,760
Net loss	\$56,077	\$32,424	\$58,760
Total assets	\$24,915	\$22,334	\$3,934
Total liabilities	\$216,649	\$157,991	\$107,167
Working Capital (deficit)	(\$191,734)	(\$135,657)	(\$103,233)
Shareholders' equity	(\$191,734)	(\$135,657)	(\$103,233)
Number of Shares outstanding <sup>1</sup>	2,843,636	2,843,636	2,843,636

1. Historical numbers adjusted to account for a 3:1 consolidation effected June 26, 2017.

See "Management Discussion and Analysis" and the financial statements of the Company attached in Schedules to this Prospectus for details.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Company was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 12, 1980 as Treminco Resources Ltd. On February 19, 1999 we changed our name to Elkhorn Gold Mining Corporation; on October 12, 2011 we changed our name to Tulloch Resources Ltd.; and effective July 18, 2017 we changed our name to Tidal Royalty Corp.

Our head office is located at Suite 1020 – 800 West Pender Street, Vancouver, British Columbia V6C 2V6; and our registered and records office is located at Suite 2900 - 595 Burrard Street, Vancouver, British Columbia V7X 1J5.

We are a reporting issuer in each of British Columbia and Ontario; however, our Shares are not listed or posted for trading on any stock exchange.

### **Intercorporate Relationships**

The Company has no subsidiaries. The Company may incorporate one or more subsidiary companies to facilitate its activities under the Royalty Agreement.

## **DESCRIPTION OF THE COMPANY'S BUSINESS**

### **General - Historical**

Between 1985 and 2000, the Company was involved in mineral exploration and was listed initially on the Vancouver Stock Exchange (as it was then known) and subsequently on the TSE. On September 4, 2001, the Company's shares were delisted from the TSE for failure to meet the continued listing requirements of the TSE. CTOs were imposed on the Company by the British Columbia and Ontario Securities Commissions (the "Commissions") on January 3, 2002 and January 11, 2002, respectively. Between April 2001 and July 2010, the Company was inactive and did not carry on any business. On October 11, 2011, the Company changed its name to the Tulloch Resources Ltd.

On January 16, 2012, pursuant to Section 171 of the British Columbia *Securities Act* and Section 144 of the Ontario *Securities Act*, the Commissions issued revocation orders in respect to the prior CTOs issued against the Company. As part of the revocation, the Company undertook not to complete a transaction that would result in a "reverse takeover" while the Company is not listed on a "recognized stock exchange" unless prior to closing of such transaction, the Company provides the British Columbia Securities Commission with at least 10 business days' notice of the transaction.

Between 2012 and 2016, the Company undertook three equity financings, raising an aggregate of \$125,000, through distributions of Shares for purposes of paying expenses involved in searching for new business opportunities, and general and administrative costs. From 2014 to 2017, the Company identified and reviewed a number of potential opportunities but did not proceed with any project.

In July 2017, the Company changed its business focus to the U.S. legal cannabis industry. In that regard, the Company has taken the following steps to develop its new business:

1. retained new management with a track record in the U.S. legal cannabis industry;
2. changed the name of the Company to Tidal Royalty Corp;
3. received shareholders' approval to a change of business from mineral exploration to cannabis;
4. raised \$9,000,000 pursuant to the Offering;
5. secured the Loan Facility in the amount of \$4,000,000; and
6. closed on the Royalty Agreement.

## ***Current***

### ***Royalty Agreement***

Effective April 1, 2018 the Company executed the Royalty Agreement with Desert Horizons whereby the Company will advance funds to acquire a royalty interest in Desert Horizon's First Palm Springs Development. Under the Royalty Agreement:

- the Company will advance \$7,500,000 USD to Desert Horizons in order to build out the First Palm Springs Development, which will consist of indoor cultivation space and manufacturing space;
- the Company will advance the \$7,500,000 USD to Desert Horizons in tranches, as development milestones are met in connection with the First Palm Springs Development;
- in consideration for the aggregate \$7,500,000 USD advanced, the Company will receive a 99-year royalty on all gross sales (less applicable sales or excises taxes and any allowances for returns) from the First Palm Springs Development;
- the Company will have certain protections with respect to the First Palm Springs Development, including but not limited to: the right to review and approve all construction budgets; being a named loss-payee under applicable insurance policies; and, being granted security over certain assets by Desert Horizons;
- the Company will have a right of first refusal to finance the second phase of Desert Horizons' cultivation and manufacturing development in Palm Springs, California, and subsequent developments planned in Coachella, California, in exchange for a corresponding royalty on all gross sales from those projects. The aggregate amount of funds advanced to Desert Horizons if the Company finances all projects contemplated by Desert Horizons will be approximately \$50,000,000 USD;
- Desert Horizons may, upon a liquidation event (being a third-party purchase of Desert Horizons or its assets, Desert Horizons obtaining a public listing of its shares, or some analogous event), buy out the remaining term of the royalty at a price utilizing an agreed-upon formula.

### ***Desert Horizons***

Desert Horizons is a California-based private company that will operate a business cultivating, processing, and manufacturing cannabis and cannabis-related products. Desert Horizons was founded by executives with expertise in real estate development, cannabis operations, finance, and legal and regulatory compliance. The founders have previously built, managed, and operated over 1,000,000 ft.<sup>2</sup> of cannabis operations, from cultivation to retail and distribution, in various facilities around California, including Coachella, Cathedral City, and Palm Springs. Desert Horizons will seek low-unit costs driven by scale, operational practices and attractive power rates. Products manufactured and produced from Desert Horizons will be distributed under existing brand names, including "Kings Garden" and Wiz Khalifa's "Khalifa Kush". These brands are currently carried across hundreds of dispensaries in California.

Desert Horizons management team is comprised of:

#### **Los Arias, Co-Founder, CEO**

Mr. Arias is a principal at RiverRock Colorado and Khalifa Kush Enterprises. RiverRock is one of Colorado's founding regulated cannabis companies. Khalifa Kush Enterprises is the regulated cannabis company owned by multi-platinum-selling, Golden Globe and Grammy-nominated recording artist, Wiz Khalifa. Mr. Arias is a current Marijuana Enforcement Division Badge holder in the state of Colorado. At RiverRock, he oversaw 40,000 ft.<sup>2</sup> of commercial scale production vertically-integrated between two strategically located dispensaries in the greater Denver area.

#### **Michael Meade, Co-Founder/Director**

Mr. Meade is the co-founder and co-owner of Desert Rock Development and Wilson Meade Commercial Real Estate. Desert Rock is currently in the process of developing 1,300,000 ft.<sup>2</sup> of high-end, medical marijuana cultivation parks within the Coachella Valley. Mr. Meade co-owned the first licensed medical cannabis cooperative

in Riverside County and went on to own shares in three other dispensing locations, as well as two cultivation centers.

**Michael King, Co-Founder/Chief Operations Officer**

Mr. King is the founder of Duard Ventures and Kings Garden. Duard Ventures is a cannabis consulting firm, with expertise in licensing, facility design and operations at industrial scale. Duard Ventures has consulted on over 1,000,000 ft.<sup>2</sup> of operations - commercial cultivation, manufacturing, retail and distribution - and helped oversee construction and operations on over 300,000 ft.<sup>2</sup>. Mr. King's operations currently constitute 200,000 ft.<sup>2</sup> of licensed industrial cultivation, manufacturing, distribution and transportation facilities in southern California. Mr. King has a BBA in Finance from Pace University and a Masters in Criminal Justice from Kaplan University.

**Bob Zukis, Co-Founder/President and Chief Strategy Officer**

As Chief Strategy Officer, Mr. Zukis is responsible for driving competitive positioning in the marketplace. He works with venture capitalists and private equity firms on growth and portfolio initiatives and is a former Entrepreneur-in-Residence and early-stage SaaS CEO. During the early part of his career, he was a PwC Advisory Partner where he advised the global F1000 on a range of strategic and operational initiatives focused on growth and new markets. He has lived and worked on four continents across 20 countries. He has an MBA (Hons.) from the University of Chicago, Booth School of Business, and an undergraduate degree from Texas Tech University and is a non-practicing CPA.

**Phil Hoelting, Co-Founder/Business Development and Brand Partnerships**

In charge of business development and brand partnerships, Mr. Hoelting builds relationships to grow the business into influential cultural brands. He spent 12 years helping FYF Fest expand from a small multi-venue event to a three-day outdoor music festival, now the largest in Los Angeles. Mr. Hoelting has built his career on forging lasting partnerships with global brands, cultural institutions and artists. Mr. Hoelting is an Executive Producer of films such as *Brigsby Bear* (2017), *Piercing* (2018), and *Puberty* (2018). He also consults for several hospitality and entertainment businesses in Los Angeles. Mr. Hoelting holds a bachelor degree in History from Loyola Marymount University.

**Michael Pulik, CFO**

Mr. Pulik received his Bachelor of Science in Business Management with a concentration in Accounting from Monmouth University. He has held executive finance roles in both Corporate Finance and Public Accounting. He is a Certified Public Accountant, Certified Fraud Examiner and Chartered Global Management Accountant. Mr. Pulik specializes in business consulting and has extensive experience in Accounting, Financial Reporting, Forensic Accounting and Process Improvement.

***Company's Current Business Operations***

**Business Objectives**

The Company's business objective is to provide capital solutions to companies in the U.S. legal cannabis industry with large-scale potential and a highly-skilled and experienced management team, in exchange for a royalty. The Company's Royalty Agreement with Desert Horizons is its first such transaction, and it intends to pursue analogous transactions with other operators.

***Short-term Objectives***

The Company's short-term objectives are to: (i) obtain a listing of its Shares on the CSE; and (ii) raise additional capital to further finance its interests under the Royalty Agreement.

### *Long-term Objectives*

Over the long-term the Company plans to expand its business by contracting for one or more additional royalties within the U.S. legal cannabis industry.

In addition, management believes that a significant opportunity exists today and will develop further in the future, to leverage the Company's expertise, financial strength and business model in jurisdictions around the world where cannabis becomes legal. Once established, the Company may pursue opportunities in other jurisdictions where cannabis is legally allowed, or where the government is actively moving towards such a legal framework.

### **DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY**

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities (“**CSA Notice 51-352**”), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently indirectly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

#### *Use of Cannabis*

Marijuana is a preparation of the leaves and flowering tops of cannabis sativa, the hemp plant, which contains a number of pharmacologically active principles (cannabinoids). It is used for its euphoric properties and is considerably more potent when smoked and inhaled than when simply eaten.

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as tetrahydrocannabinol (“THC”) and cannabidiol (“CBD”), as medical therapy to treat disease or alleviate symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Smoking cannabis is the most traditional form of ingestion and consists of smoking the dried flowers or leaves of the cannabis plant. Cannabis can be smoked through a pipe, rolled into a joint (or cigarette), or smoked using a water pipe (bong). Vaporizing involves using a vaporizer, which is a device that is able to extract the therapeutic ingredients in the cannabis plant material at a much lower temperature than required for burning. This allows user to inhale the active ingredients as a vapor instead of smoke. Many medical marijuana patients find that vaporizing offers an improved medical effectiveness, compared to smoking.

Topical cannabis encompasses herbal medicines that are applied directly to the skin or muscles. They include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. Unlike smoking, vaporizing or eating cannabis, topical products are generally non-psychoactive.

#### *California*

Despite legal, regulatory and political obstacles, the U.S. cannabis industry continues to experience substantial growth. California is projected to be the largest cannabis market in the U.S., largely due to its population of 39.54 million residents (more than five times the size of the next largest state that has legalized adult use cannabis at the state level). Estimated in-state adult-use customers total approximately 4.0 million. On January 1, 2018, over 400 temporary state licenses were issued to cannabis businesses under the new regulatory framework. As of late March 2018, over 2,500 temporary state cultivation licenses of various types were issued to over 1,300 companies. The California regulated market alone is projected to reach approximately \$4 billion in sales in 2018, and approximately \$6 billion in sales by 2021.

## **Legal and Regulatory Matters**

### United States Federal Overview

In the U.S., 29 states and Washington D.C. have legalized medical marijuana, while nine states and Washington D.C. have also legalized adult-use marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the CSA. 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 of the drug under medical supervision. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

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

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law- as the Cole Memorandum was not itself law- the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated.

Sessions also issued a one-page memorandum known as the "Sessions Memorandum." This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance, and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

While it is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum, a nationwide "crackdown" is unlikely. The sheer size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ and the Trump Administration. It is also possible that the rescission of the Cole Memorandum could motivate Congress to finally reconcile federal and state laws.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the U.S. has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state

law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the U.S., could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These marijuana-related SARs are divided into three categories – marijuana limited, marijuana priority, and marijuana terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively.

On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memo") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. In the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "Rohrabacher-Farr Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. Since October 1, 2017, the start of FY 2018, the U.S. federal government has been temporarily appropriated under a series of continuing budget resolutions. Because the 2017 Consolidated Appropriations Act has been extended until March 23, 2018 under a continuing budget resolution, the Rohrabacher-Farr Amendment **[is still in effect as of today's date]**. Should Congress pass a budget resolution for FY 2018, some version of the Rohrabacher-Farr Amendment may or may not be included in its final form.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on



cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco. Given current political trends, however, these developments are considered unlikely in the near-term.

As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company intends to require that all operators with which it enters royalty arrangements (“**Operators**”) to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Operators must ensure that their operations are compliant with all licensing requirements regarding their cannabis operations as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- Operators must ensure that their cannabis related activities 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 cannabis; and in the states where cannabis is permitted for adult-use, the products are only sold to individuals who meet the requisite age requirements);
- Operators must have policies and procedures in place to ensure that cannabis products are not distributed to minors;
- Operators must have policies and procedures in place to ensure that revenue is distributed to criminal enterprises, gangs or cartels;
- Operators must have an adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- Operator must ensure that their state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;
- Operators must ensure that their products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company will conduct 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. The Company will also conduct reviews of activities of the cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession permitted by regulation (e.g. transfer of products between licensed premises).

### California State Level Overview

In 1996, California voters passed a medical marijuana law allowing physicians to recommend cannabis for certain medical conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the *Medical Marijuana Regulation and Safety Act* (“MCRSA”). In 2016, California voters passed *The Adult Use of Marijuana Act* (“AUMA”), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed Senate Bill 94 into law, which combined California’s medicinal and adult-use cannabis frameworks into one licensing structure under the *Medicinal and Adult-Use of Cannabis Regulation and Safety Act* (“MAUCRSA”).

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis Cultivation Licensing, issues licenses to cannabis cultivators; (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the “MCSB”), issues licenses to cannabis manufacturers, and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the “BCC”), issues licenses to cannabis distributors, testing laboratories, microbusinesses, and retailers. These agencies also oversee the various

aspects of implementing and maintaining California's cannabis landscape, including the statewide seed-to-sale track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and have begun issuing licenses.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining a state license, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold.

California state licenses, and some local licenses, are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by the BCC (for state licenses) or the applicable local regulatory body (for local licenses) such as the Department of Cannabis Regulation in the City of Los Angeles. 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 applicant would expect to receive the applicable renewed license in the ordinary course of business. For the cities of Desert Hot Springs and San Diego, the local licenses are Conditional Use Permits which run with the land and do not need to be renewed.

Under MAUCRSA, after January 1, 2018, only license holders are permitted to engage in commercial cannabis activities. A prerequisite to obtaining a California State license is obtaining a valid license, permit or authorization from a local municipality.

Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license and all transportation of cannabis goods between licensees must be performed by a licensed distributor. There are also no residency requirements for ownership of medical or adult-use marijuana licenses under MAUCRSA.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator's licensed operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality's jurisdiction. Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises. California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the State regulatory program. Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

As a condition of state licensure, operators must consent to random and unannounced inspections of their commercial cannabis facility as well as all of the facility's books and records, so as to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

### **Competitive Conditions and Environment**

Within the short period of legal adult use, increasing cannabis sales and further steps toward industry regulation and legalization have prompted a push toward increasingly bigger waves of investment and innovation in the cannabis industry. There is also a strong opportunity for products, brands, research, and related services that will

complement the cannabis market. The Company will seek to leverage its operational expertise and industry knowledge to capitalize on the so-called “green-rush” in the legal cannabis industry. Cannabis production opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved regulated cannabis regimes.

Despite the fast-growing market for legalized cannabis in the U.S., there remains a significant lack of traditional sources of bank lending or venture and private equity capital, as well as an absence of traditional management expertise and advisory services. This is primarily because of the regulatory and legal challenges that cannabis continues to pose in the United States.

### **USE OF PROCEEDS**

The Company received gross proceeds of \$9,000,000 from the Offering of the Special Warrants. It has also arranged the Loan Facility in the amount of \$4,000,000. The Company will use \$7,500,000 USD (approximately \$9,800,000 CAD) toward the Royalty Agreement, and intends to use the balance toward operational costs and further advances under the Royalty Agreement or for other opportunities.

Description	Amount (\$)
Gross Proceeds	\$9,000,000
Offering Costs <sup>1</sup>	(\$110,000)
Finders’ Fee	(\$690,000)
Net Proceeds	\$8,200,000
Accounts Payable as of March ●, 2018	(\$320,000)
Loan Facility	\$4,000,000
<b>Total Funds Available</b>	<b>\$11,880,000</b>

1. Total remaining cash expenses of the Offering, as primarily associated with this Prospectus, are estimated as legal - \$75,000; CSE filing fees - \$10,000; Securities Commissions’ filing fees - \$10,000; and miscellaneous costs - \$15,000.

### **Principal Purposes**

We intend to use the available funds as follows:

Principal Purpose	Funds
Fund Royalty Agreement	(\$9,800,000)
General and Administrative Expenses (12 months)	\$816,000
Investigate other Opportunities	\$1,264,000
<b>Total:</b>	<b>\$11,880,000</b>

Our projected General and Administrative expenses for the 12 months after the Closing Date are:

- Office & Administration                      \$ 15,000 per month
- Travel                                                \$ 5,000 per month
- Professional Fees (legal & audit)            \$ 8,000 per month
- Management & Director Fees                \$ 40,000 per month
- Total:                                                \$ 68,000 per month

**We intend to spend the funds available to us as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.** If such event

occurs prior to the conversion of the Special Warrants under this Prospectus, we may have broad discretion in the application of such net proceeds and, if required, an amendment to this Prospectus will be filed. Pending utilization of the net proceeds derived from the Offering, we intend to invest the funds in short-term, interest-bearing obligations with a major Canadian financial institution.

**We have a history of negative cash flow and losses, and we do not expect that to change in the short term.** All of our operations will be funded by the proceeds from the Offering. Our net available funds will be sufficient to fund our operations for a minimum of 12 months; however, we anticipate we will need to raise additional funds to expand our business.

Any proceeds received from the exercise of Underlying Warrants will be added to the general working capital of the Company.

## **DIVIDENDS OR DISTRIBUTIONS**

We have not paid dividends since our incorporation. While there are no restrictions precluding us from paying dividends, we have no cash flow, and we anticipate using all available cash resources toward our stated business objectives. As such we do not anticipate the payment of dividends in the foreseeable future. At present, our policy is to retain earnings, if any, to finance our business operations. The payment of dividends in the future will depend upon, among other factors, our earnings, capital requirements and operating financial conditions. The Company's ability to pay dividends may be affected by U.S. state and federal regulations.

## **SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS**

### *Selected Annual Information*

The Company's unaudited financial statements for the three months ended October 31, 2017 and the audited financial statements for the years ended July 31, 2017 and 2016 are attached to this Prospectus as Schedules "A" and "B".

The following table sets forth selected financial information for the Company for the three months ended October 31, 2017 and the two most recently completed financial years ended July 31, 2017 ("fiscal 2017"), and July 31, 2016 ("fiscal 2016"). The financial information below has been prepared in accordance with IFRS.

<b>For the year (period) ended (Expressed in Canadian dollars)</b>	<b>October 31, 2017 (unaudited)</b>	<b>July 31, 2017 (audited)</b>	<b>July 31, 2016 (audited)</b>
Revenue	nil	nil	nil
Gross loss	\$56,077	\$32,424	\$58,760
Net loss	\$56,077	\$32,424	\$58,760
Basic and diluted loss per share	\$0.01	\$0.01	\$0.02
Cash	\$22,619	\$20,265	\$1,585
Total assets	\$24,915	\$22,334	\$3,934
Total liabilities	\$216,649	\$157,991	\$107,167
Working Capital (deficit)	(\$191,734)	(\$135,657)	(\$103,233)
Shareholders' equity	(\$191,734)	(\$135,657)	(\$103,233)
Dividends	nil	nil	nil
Number of Shares outstanding	2,843,636	2,843,636	2,843,636

On June 26, 2017 the Company consolidated its share capital on a three for one basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

### ***Company's Management Discussion and Analysis***

The Company's Management's Discussion and Analysis for the three months ended October 31, 2017 and for fiscal 2017 are attached to this Prospectus as Schedules "C" and "D" respectively and should be read in conjunction with the financial statements of the Company for the same period, and the notes thereto.

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

## **DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

### **Authorized Share Capital**

The Company's authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value.

### **Common Shares**

As of the date of this Prospectus, there were 2,843,636 Common Shares issued and outstanding. The holders of Common Shares are entitled to receive notice of any meeting of shareholders and to attend and vote at those meetings, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each Common Share entitles its holder to one vote. Subject to the prior rights of the holders of Preferred Shares, if any, the holders of Common Shares are entitled to receive dividends on a proportionate basis as and when declared by the Board out of funds legally available therefor. In the event of the dissolution, liquidation, winding up or other distribution of the Company's assets among shareholders, the holders of the Common Shares are entitled to receive on a proportionate basis all of the assets remaining after payment of all of the Company's liabilities, subject to the rights of holders of Preferred Shares. The Common Shares carry no pre-emptive or conversion rights and are not subject to redemption.

### **Preferred Shares**

As at the date of this Prospectus, there were no preferred shares (the "Preferred Shares") issued and outstanding. The Company may issue Preferred Shares in one or more series, and the Board may create, define and attach rights and restrictions to the shares of each series, subject to the rights and restrictions attached to Preferred Shares as a class. Such rights could include conversion, retraction and redemption rights, and preference with respect to the payment of dividends and the repayment of capital, the distribution of assets on liquidation.

### **Special Warrants**

The Special Warrant Certificates provide, among other things, that the holders of Special Warrants will be entitled to receive, upon exercise or deemed conversion of the Special Warrants, without payment of any additional consideration and subject to adjustment in certain circumstances, one Underlying Unit for each Special Warrant held, upon the earlier of (i) a receipt being issued for a final Prospectus; and (ii) four months and a day following the Closing Date.

The Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant has initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who receives an Underlying Unit on conversion of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because this Prospectus or an amendment to this Prospectus containing a misrepresentation,

- (a) the holder is entitled to rescission of both the holder's conversion of its Special Warrants and the private placement transaction under which the Special Warrants were initially acquired,
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant, and
- (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights or rescission and refund as if the holder was the original subscriber.

### **Underlying Warrants**

Each Underlying Warrant will entitle the holder to acquire one Warrant Share at \$0.05 per share, for a period of 24 months following the Closing Date. The certificates governing the Underlying Warrants will provide for and contain adjustment provisions designed to keep the holders thereof unaffected by the possible occurrence of certain events, including any subdivision, re-division, change, reduction, combination, consolidation, or stock dividend of the Common Shares, or the amalgamation, merger or corporate reorganization of the Company. The Underlying Warrant certificates will provide that in each such event the number of Warrant Shares issuable upon the exercise or deemed exercise of the Underlying Warrants will be adjusted immediately after the effective date of such event.

### **Lenders' Warrants**

Pursuant to the Loan Facility, the lenders will be entitled to receive one Lenders' Warrant for every two dollars advanced by the applicable lender. Each Lenders' Warrant will entitle the holder to acquire one Share at a price of \$0.33 per Share for 12 months from the date of issue; subject to the right of the Company to accelerate the expiry of such Lenders' Warrant, to a date that is at least 30 days from the date of written notice from the Company to the applicable Lender, in the event that the closing price of the Company's Shares on the applicable stock exchange is equal to or greater than \$0.75 per Share for 10 consecutive trading days. The Lenders' Warrants will be subject to adjustment in the event of any share consolidation, share split or amendment to the Shares or any corporate reorganization of the Company.

### **Outstanding Securities**

As of the date of this Prospectus, the Company has the following securities outstanding:

- (i) 2,843,636 Common Shares;
- (ii) nil Preferred Shares;
- (iii) 180,000,000 Special Warrants;
- (iv) nil Lenders' Warrants; and
- (v) nil stock options.

The Company proposes to issue 180,000,000 Underlying Units upon the conversion of the Special Warrants; and may issue up to 2,000,000 Lenders' Warrants pursuant to the Loan Facility. Other than as disclosed above, there are no other options, warrants or other securities outstanding which are convertible into Common Shares.

## **LOAN FACILITY**

The Company has established the Loan Facility for up to \$4,000,000 pursuant to a loan agreement March ●, 2018 (the "**Loan Agreement**") among the Company and certain lenders, including Paul Rosen, the Chief Executive Officer of the Company (collectively, the "**Lenders**"). The Company may draw upon the Loan Facility in whole or in part at any time and from time to time for purposes of funding its commitment to Desert Horizons under the Royalty Agreement. Any principal outstanding under the Loan Facility shall accrue interest at a rate of 5% per annum, calculated monthly, such interest to be payable on maturity of the Loan Facility. Any outstanding principal and interest thereon shall become payable five years from the establishment of the Loan Facility. The Company may prepay any amounts outstanding under the Loan during the term thereof without penalty, bonus or other recourse against the Company. The Loan Agreement contains certain negative covenants and events of default

typical of a transaction of this nature. In particular, if the Company is not listed for trading on the CSE within six months from the establishment of the Loan Facility, all principal and interest thereon outstanding at such time shall become immediately due and payable by the Company to the Lenders. Lenders are entitled to receive Lenders' Warrants as funds are advanced under the Loan Facility, as described under the heading "*Description of Securities Being Distributed – Lenders' Warrants*" above.

## **CONSOLIDATED CAPITALIZATION**

The following table summarizes our share capitalization; and should be read in conjunction with the financial statements appended to this Prospectus:

The Company currently has 2,843,636 Common Shares issued and outstanding. Subsequent to July 31, 2017, being the end of the Company's most recently completed financial year, the Company has issued 180,000,000 Special Warrants for gross proceeds of \$9,000,000. Upon conversion of the Special Warrants, the Company will have 182,843,636 Shares and 180,000,000 Underlying Warrants outstanding. Underlying Units will be subject to adjustment in accordance with the terms set out in the Special Warrant Certificates.

The following table shows the effect of the Offering and the conversion of the Special Warrants on the Company's issued and outstanding share capital:

Designation of Security	Amount Authorized	Amount Outstanding at July 31, 2017	Amount Outstanding at date of this Prospectus	Amount Outstanding upon conversion of Special Warrants
Common Shares	Unlimited	2,843,636	2,843,636	182,843,636
Preferred Shares	Unlimited	nil	nil	nil
Special Warrants	n/a	nil	180,000,000	nil
Underlying Warrants	n/a	nil	nil	180,000,000
Lenders' Warrants	2,000,000	nil	nil	2,000,000 <sup>1</sup>
Stock Options	n/a	nil	nil	17,568,727 <sup>2</sup>

1. Maximum number which may be granted over time as funds are borrowed under the Loan Facility.
2. To be granted following conversion of the Special Warrants. Options will be issued pursuant to the Company's Stock Option Plan as adopted and approved by the Company's shareholders on September 5, 2017.

## **OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES**

### **Summary of Stock Option Plan**

Incentive stock options are governed by our Stock Option Plan. The purpose of the Stock Option Plan is to offer to our directors, officers, employees, consultants and advisors (and those of our affiliates) the opportunity to acquire a proprietary interest in the Company, thereby providing an incentive to such persons to promote the best interests of the Company, and to provide us with the ability to attract qualified persons as directors, officers and employees.

The Stock Option Plan is administered by our directors; the material terms of which are as follows:

1. A maximum of 17,526,727 options may be granted under the Stock Option Plan, unless later amended by shareholders.

2. The term of any options granted under the Stock Option Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of ten years, with the exception of any options extended due to a Blackout Period (as defined in the Stock Option Plan).
3. The exercise price of any options granted under the Stock Option Plan will be determined by the board of directors, in its sole discretion and subject to the policies of the Exchange, but shall not be less than \$0.05 per Share.
4. The board of directors may impose vesting periods on any options granted.
5. All options will be non-assignable and non-transferable (except upon the death of an option holder, in which case any outstanding options may be exercised by the option holder's successors).
6. If an option expires or terminates for any reason without having been exercised in full, the unexercised options shall again be available for granting under the Stock Option Plan.
7. The board of directors shall not grant options to any one person in a 12 month period which will, when exercised, exceed 5% of the issued and outstanding Shares of the Company (calculated at the date such options are granted); or to any one consultant or to those persons employed by the Company who perform investor relations services which will, when exercised, exceed 2% of the issued and outstanding Shares of the Company, calculated at the date such options are granted. Options granted to Eligible Charitable Organizations (as that term is defined in the Stock Option Plan) shall not at any time exceed 1% of the issued and outstanding Shares of the Company, calculated at the date such options are granted.
8. If the option holder ceases to be a director of the Company (other than by reason of death, disability or termination for just cause), then the option granted shall expire on no later than the 30<sup>th</sup> day following the date that the option holder ceases to be a director of the Company, subject to the terms and conditions set out in the Stock Option Plan. If the option holder is engaged in investor relations activities or ceases to be an employee, consultant or management company employee of the Company (other than by reason of death or termination for just cause), then the option granted shall expire on no later than the 30<sup>th</sup> day following the date that the option holder ceases to be employed or contracted by the Company, subject to the terms and conditions set out in the Stock Option Plan. If the option holder's position as a director, officer, employee or consultant is terminated for just cause, then the option granted shall expire the date of termination for just cause.
9. Disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the option holder is an insider; (ii) any grant of options to insiders or any increase in the number of Shares reserved for issuance pursuant to options previously granted, within a 12 month period, exceeding 10% of the Company's issued Shares at the time of the grant of the options; (iii) any grant of options to any one individual, within a 12 month period, exceeding 5% of the Company's issued Shares; and (iv) any individual option event that would result in the limitations set out in items (ii) or (iii) being exceeded.
10. Options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

As of the date hereof, there are an aggregate of 17,568,727 stock options available for grant under the Stock Option Plan.



## **PRIOR SALES**

In the three years prior to the date of this Prospectus, the following Securities have been issued:

<b>Date</b>	<b>Number and Type of Securities<sup>1</sup></b>	<b>Issue / Exercise Price Per Security<sup>1</sup></b>	<b>Aggregate Issue / Exercise Price</b>	<b>Nature of Consideration Received</b>
January 30, 2015	466,667 Shares	\$0.15	\$70,000	cash
February 13, 2015	58,333 Options <sup>2</sup>	\$0.15	\$8,750	nil
July 16, 2015	16,667 Options <sup>2</sup>	\$0.30	\$5,000	nil
December 29, 2015	183,333 Shares	\$0.30	\$55,000	cash
March •, 2018	180,000,000 Special Warrants	\$0.05	\$9,000,000	cash

1. The number of Shares and issuance prices have been adjusted to reflect the Company's share consolidation on a three old for one new basis effected on June 26, 2017.
2. All options expired unexercised by April 30, 2017.

## **FULLY DILUTED SHARE CAPITAL**

The following table sets out our share capital on a fully diluted basis after closing of the Offering:

<b>Description</b>	<b>No. of Shares</b>	<b>Percentage of Shares</b>
Shares currently outstanding	2,843,636	0.74%
Underlying Shares to be issued	180,000,000	47.07%
<b>Sub-total</b>	<b>182,843,636</b>	<b>47.81%</b>
Stock Options	17,568,727 <sup>1</sup>	4.59%
Underlying Warrants	180,000,000 <sup>2</sup>	47.07%
Lenders' Warrants	2,000,000 <sup>3</sup>	0.52%
<b>Total</b>	<b>382,412,363</b>	<b>100.00%</b>

1. Maximum number which may be issued under the Stock Option Plan.
2. Underlying Warrants are exercisable at \$0.05 per Share for a period of 24 months.
3. Maximum number which may be issued over time under the Loan Facility.

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

### **Escrowed Securities**

The following table sets forth the aggregate number of securities to be held in escrow upon listing on the Exchange, as determined by the Exchange:

Designation or Class	Number of Securities Held in Escrow <sup>1</sup>	Percentage of Class upon Completion of Offering <sup>2</sup>
Common Shares	•	•%
Underlying Warrants	•	•%

- Securities are held in escrow pursuant to the Escrow Agreement. The persons subject to escrow are set forth in the table below. Pursuant to the Escrow Agreement the Escrowed Securities will be released from escrow as to 10% upon the Listing Date, with the balance in six equal releases at six month intervals over the 36 months following the Listing Date. The Escrow Agent is AST Trust Company (Canada). See disclosure below for details of the dates and conditions of release of the Escrowed Securities.

The following is a list of those shareholders who own Escrowed Securities subject to the Escrow Agreement:

Name and Municipality of Residence	No. of Escrowed Shares	No. of Escrowed Underlying Warrants
Paul Rosen <i>Toronto, Ontario</i>	•	•
Theo van der Linde <i>Vancouver, B.C.</i>	•	•
Stuart Wooldridge <i>Penticton, B.C.</i>	•	•
Brendan Purdy <i>Toronto, Ontario</i>	•	•
<b>Total</b>	•	•

Pursuant to the terms of the Escrow Agreement, the Escrowed Securities may not be transferred or otherwise dealt with during the term of the Escrow Agreement except for certain circumstances, including:

- transfers to our continuing or incoming directors and senior officers, subject to the Company's Board approval;
- transfers to an RRSP or similar trust plan provided that the only beneficiaries are the transferor or the transferor's spouse or children;
- transfers upon bankruptcy to a trustee in bankruptcy; and
- pledges to a financial institution as collateral for a *bona fide* loan, provided that upon a realization the securities remain subject to escrow.

The complete text of the Escrow Agreement is available for inspection at the registered and records office of the Company and is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Securities Subject to Resale Restrictions**

Other than the securities subject to the Escrow Agreement listed above, there are no other securities which are or will be subject to resale restrictions.

## **PRINCIPAL SHAREHOLDERS**

To the knowledge of our directors and officers, the following persons will beneficially own, as of the Closing Date, directly or indirectly, or exercise control or direction over, more than 10% of our Shares:

Name and Municipality of Residence	No. of Shares	Percentage <sup>1</sup>
•	•	•
•	•	•
<b>Total</b>		

1. Assumes 182,843,636 Shares outstanding.

## **DIRECTORS AND EXECUTIVE OFFICERS**

### **Name, Address, Occupation and Security Holding**

The name, province or state and country of residence, and position with the Company, of each of our directors and executive officers are set out in the table below. Details of their principal business or occupation in which they have been engaged during the immediately preceding five years are as set out under “Management of the Company” following the table.

Name, Position, Province or State and Country of Residence	Principal Occupation or Employment for the Past Five Years	Date Elected or Appointed	Number & Percentage of Shares Held <sup>1</sup>
<b>Paul Rosen</b> <i>Ontario, Canada</i> CEO, Director, Member of Audit Committee	Member of the Law Society of Upper Canada; Founder, PharmaCan Capital Corp from November 2013 until May 2016; Director of iAnthus Capital Holdings Inc.	July 20, 2017	12,800,000 <sup>2</sup> 7%
<b>Theo van der Linde</b> <i>British Columbia, Canada</i> CFO and Director	Chartered Professional Accountant. Director and executive officer of several publicly listed companies.	July 20, 2017	Nil
<b>Brendan Purdy</b> <i>Ontario, Canada</i> Director, Member of Audit Committee	Practicing member of the Law Society of Upper Canada. Current director and/or officer of several public companies. Director and CEO of High Hampton Holdings Ltd. from November 2016 to December 2017; CEO and Director of Seaway Energy Services from April, 2016 to October 2016; a Director of Greenock Resources Inc. from October 2015 to February, 2016.	July 20, 2017	Nil
<b>Stuart Wooldridge</b> <i>British Columbia, Canada</i> Director, Member of Audit Committee	Director of 555155 B.C. Ltd. dba Orca Strategy, a private management consulting company, since 1990. CEO of Yuntone Capital Corp. from 2015 to 2018.	Sept. 05, 2001	266,666 <1%
<b>Kathryn Witter</b> <i>British Columbia, Canada</i> Corporate Secretary	CEO, Marketworks, Inc. since 1989; Former CFO and current Corporate Secretary of Cobalt 27 Capital Corp since 2010.	July 05, 2017	100,000 <1%

1. Assuming conversion of Special Warrants and 182,843,636 Shares outstanding.
2. Mr. Rosen holds 12,000,000 Shares directly and an additional 800,000 Shares in the names of his dependent children. Mr. Rosen’s spouse, who is financially independent, holds 6,700,000 Shares

The term of office for our directors and members of our audit committee expires at each annual general meeting.

The board of directors after each such meeting appoints our committees for the ensuing year. We currently have one board committee, being an audit committee which presently consists of Paul Rosen, Stuart Wooldridge and Brendan Purdy.

As of the date hereof, our directors and executive officers, as a group beneficially own, directly or indirectly, or exercise control or direction over 13,300,000 Shares which will represent 7.27% of the outstanding Shares following conversion of the Special Warrants.

### **Management of the Company**

The following provides additional information regarding our directors and executive officers:

**Paul Rosen**, age 53 has been a Director of the Company since July 20, 2017, and CEO since February 28, 2018.

Mr. Rosen is a leading entrepreneur in the Canadian cannabis industry. He was the co-founder and former CEO of PharmaCan Capital Corp. (now operating as The Cronos Group Inc.). The Cronos Group Inc. (MJN-X) is a Canadian cannabis company, and recently became the first cannabis company to list on the NASDAQ exchange. Mr. Rosen is currently a director of iAnthus Capital Holdings, Inc. (CSE), and has invested in and advised numerous companies in the cannabis sector. Mr. Rosen is a member of the Law Society of Upper Canada and previously practiced constitutional and criminal law. Mr. Rosen received a B.A. in Economics from the University of Western Ontario in 1985 and an L.L.B from the University of Toronto in 1988.

Mr. Rosen, in his capacity as the CEO of the Company, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement.

**Theo van der Linde**, CA, age 44, has been the CFO and Director of the Company since July 20, 2017.

Mr. van der Linde is a Chartered Professional Accountant with over 20 years of extensive finance, administration and public accounting experience in the oil & gas, mining, financial services, manufacturing and retail industries.

Mr. van der Linde, in his capacity as the CFO of the Company, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement.

**Stuart Wooldridge**, age 57, has been a Director of the Company since September 2001, and was the CEO of the Company from September 2011 to February 28, 2018.

Mr. Wooldridge as director of 555155 B.C. Ltd. dba Orca Strategy, a private management consulting company through which Mr. Wooldridge has experience with financing and managing publicly listed companies, new listings and regulatory reporting.

Mr. Woolridge, in his capacity as a director of the Company, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement.

**Brendan Purdy**, age 31, has been a Director of the Company since July 20, 2017.

Mr. Purdy Mr. Purdy is a practicing securities lawyer, with experience in public companies, and the capital markets. Mr. Purdy received his J.D. from the University of Ottawa, received a Bachelor of Management and Organizational Studies degree from the University of Western Ontario.

Mr. Purdy has held several executive and director positions in publicly traded companies. He is the current Corporate Secretary and a director of Global Blockchain Technologies Corp.; the CEO and President of Element 79 Capital Inc.; the CEO and a director of Enforcer Gold Corp.; a director of each of Supreme Metals Corp. and ZTest Electronics Inc.; and the former CEO and President of High Hampton Holdings Corp.

Mr. Purdy, in his capacity as a director of the Company, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement.

**Kathryn Witter**, age 55, has been the Corporate Secretary and Controller of the Company since July 5, 2017.

Ms. Witter has been the Chief Executive Officer of Marketworks, Inc since 1989, a private company specializing in providing financial, regulatory and consulting services to both emerging and mid-cap public companies trading in Canada, the USA and the United Kingdom. Ms. Witter has been a director and/or officer in several publicly traded companies and has experience in full cycle accounting, project and budget management; customization of managerial and administrative procedures, mergers and acquisition, negotiation and structuring.

Ms. Witter, in her capacity as the Corporate Secretary of the Company, is an independent contractor, providing her services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of our directors or executive officers are, as at the date of this Prospectus, or have been within 10 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

save and except that:

- (i) Stuart Wooldridge was an independent director of VendTek Systems Inc. (“VendTek”), when in 2009, the British Columbia Securities Commission and Alberta Securities Commission issued cease trade orders against VendTek for failure to file financial statements in a timely manner. The cease trade orders were revoked in 2010;
- (ii) Stuart Wooldridge was a director of the Company in 2001 - 2002 when the British Columbia Securities Commission and the Ontario Securities Commission issued cease trade orders against the Company in January 2002 for failure to file its annual financial statements for the fiscal year ended July 31, 2001. The cease trade orders were revoked in 2012; and
- (iii) Brendan Purdy was an independent director of Boomerang Oil, Inc. (“Boomerang”) when cease trade orders were issued by the British Columbia Securities Commission and Alberta Securities Commission in 2015 due to Boomerang failing to file its annual audited financial statements for the fiscal year ended September 30, 2014, and its management's discussion and analysis relating thereto, as required under Part 5 of National Instrument 51-102. Boomerang continues to be subject to the cease trade orders.

None of our directors, executive officers or a shareholder holding a sufficient number of our securities to affect materially the control of the Company:

- (a) is, as at the date of this Prospectus, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

- (b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or 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 the director, executive officer or shareholder;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Our directors are required to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. However, our directors and officers may serve on the boards and/or as officers of other companies which may compete in the same industry as the Company, giving rise to potential conflicts of interest. To the extent that such other companies may participate in ventures in which we may participate, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflicts of interest arise at a meeting of our directors, such conflicts of interest must be declared and the declaring parties must abstain from voting for or against the approval of such participation. The remaining directors will determine whether or not we will participate in any such project or opportunity.

Our directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and we will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers in accordance with the *Business Corporations Act* (BC) will disclose all such conflicts and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **EXECUTIVE COMPENSATION**

### ***Compensation Discussion and Analysis***

In assessing the compensation of its executive officers, the Company does not have in place any formal objectives, criteria or analysis. Compensation payable is currently determined by the Board. At the present time, compensation paid to our executive officers is expected to consist solely of management fees and stock options.

Payments may be made from time to time to executive officers or companies they control for the provision of consulting or management services. Such services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

We intend to pay aggregate fees of \$40,000 per month to our executive management, officers and directors following the Listing Date; and to grant incentive stock options to all of our directors and management pursuant to our Stock Option Plan. See "*Options and Other Rights to Purchase Securities*".

### ***Option Based Awards***

Stock options will be granted pursuant to the Stock Option Plan to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company.

### ***Named Executive Officers' and Directors Compensation***

The following table sets forth all compensation for services paid to or earned by each NEO and director for the three most recently completed financial years ended July 31, 2017, excluding compensation securities:

<b>Name and position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
Stuart Wooldridge <sup>(1)</sup> Former President & CEO; Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	25,000	Nil	Nil	Nil	Nil	25,000
	2015	55,000	Nil	Nil	Nil	Nil	55,000
Rob Trenaman <sup>(2)</sup> Former CFO, Director and President	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Saeed Otufat-Shamsi <sup>(2)</sup> Former Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	5,000	Nil	Nil	Nil	Nil	5,000
Paul Rosen <sup>(3)</sup> Current CEO, Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a
Theo van der Linde <sup>(3)</sup> CFO and Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a
Brendan Purdy <sup>(3)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a
Kathryn Witter <sup>(4)</sup> Corporate Secretary	2017	6,000	Nil	Nil	Nil	Nil	6,000
	2016	n/a	n/a	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a	n/a	n/a

1. Mr. Wooldridge's compensation is paid to his wholly-owned holding company, 555155 B.C. Ltd.
2. Mr. Trenaman and Mr. Saeed Otufat-Shasi resigned as of June 2, 2017.
3. Messrs. Rosen, Purdy and van der Linde were appointed as of July 20, 2017.
4. Ms. Witter was appointed as of July 5, 2017 and her compensation is paid to Marketworks, Inc.

### **Stock Options and Other Compensation Securities**

No compensation securities were granted nor issued to NEO's nor directors by the Company in the financial years ended July 31, 2017 and 2016.

We do not provide any retirement benefits for our directors or officers; nor do we have any long-term incentive plan or SAR.

### **Management, Employment and Consulting Agreements**

There were no agreements or arrangements in place under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Company that were:

- (a) performed by a director or named executive officer, or
- (b) performed by any other party but are services typically provided by a director or a named executive officer, other than the reimbursement of expenses any director or NEO may have incurred on behalf of the Company.

While no management contracts are currently in place, commencing as of ●, 2018, the Company has agreed to pay certain management fees to its executive officers, being: (i) \$12,500 per month to Paul Rosen in his capacity as CEO; (ii) \$8,333 per month to Theo van der Linde in his capacity as CFO; (iii) \$8,333 per month to Courtland Livesley-James in his capacity as Executive Vice President, Strategy; and (iv) \$4,000 per month to Marketworks, Inc. (Kathryn Witter) for providing corporate secretarial services.

#### ***Termination of Employment, Change of Control Benefits and Employment Contracts***

No benefits will accrue to any of our NEOs, officers, employees or directors upon their termination, or upon any change of control of the Company.

#### ***Directors' Compensation***

There are no current plans for directors to receive any fees or other compensation for their acting as directors, except that directors will be entitled to (i) incentive stock options pursuant to the Stock Option Plan in such individual amounts as the board of directors may determine from time to time, and (ii) reimbursement for out-of-pocket expenses incurred on behalf of or in providing services as a director for the Company.

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

No director or officer of the Company, or any associate or affiliate of such person, is or has ever been indebted to the Company; nor has any such person's indebtedness to any other entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

### **AUDIT COMMITTEE**

Pursuant to Exchange policies and National Instrument 52-110 *Audit Committees* ("NI 52-110"), we are required to have an Audit Committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company. The Audit Committee must operate pursuant to the provisions of have a written charter, which sets out its duties and responsibilities. The following is a summary of such charter:

#### **Audit Committee Charter**

##### *Mandate*

The primary function of the audit committee (the "Committee") is to assist the Company's Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board.

##### *Composition*

The Committee is to be comprised of a minimum three directors as determined by the Board. If the Company ceases to be a "venture issuer" (as that term is defined in National Instrument 51-102), then all of the members of the Committee shall be "independent" – being free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.



If the Company ceases to be a “venture issuer” then all members of the Committee shall be financially literate. All members of the Committee that are not financially literate will work towards becoming such. For the purposes of the Company’s Audit Committee Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements.

The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

### *Meetings*

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports Review
  - a) review and update the Audit Committee Charter annually; and
  - b) review the Company’s financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.
2. External Auditors
  - a) review annually, the performance of the external auditors who shall be ultimately accountable to the Company’s Board and the Committee as representatives of the shareholders of the Company;
  - b) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1;
  - c) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
  - d) take, or recommend that the Company’s full Board take appropriate action to oversee the independence of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting;
  - e) recommend to the Company’s Board the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval;
  - f) recommend to the Company’s Board the compensation to be paid to the external auditors;
  - g) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Company’s accounting principles, internal controls and the completeness and accuracy of the Company’s financial statements;
  - h) review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
  - i) review with management and the external auditors the audit plan for the year- end financial statements and intended template for such statements; and
  - j) review and pre-approve all audit and audit-related services and the fees and other compensation

related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

- i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided,
  - ii. such services were not recognized by the Company at the time of the engagement to be non-audit services, and
- k) provide such services as are brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

### 3. Financial Reporting Processes

- (a) in consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external;
- (b) consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
- (c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management;
- (d) review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments;
- (e) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (f) review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;
- (g) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- (h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- (i) review certification process;
- (j) establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (k) establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### 4. Other

- (a) review any related-party transactions;
- (b) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- (c) to set and pay compensation for any independent counsel and other advisors employed by the Committee.

### **Composition of the Audit Committee**

The Audit Committee is presently comprised of Paul Rosen (Chair), Brendan Purdy, and Stuart Wooldridge. Mr. Rosen is not an independent director as he is an executive officer of the Company, holding the position of CEO,

however Mr. Wooldridge and Mr. Purdy can be considered to be independent directors of the Company within the meaning of NI 52-110. All members of the Audit Committee are financially literate. The members of the Audit Committee are elected by the Board at its first meeting following each annual shareholders' meeting to serve one-year terms and are permitted to serve an unlimited number of consecutive terms.

### Relevant Education and Experience

For the education and experience of each member of the Audit Committee relevant to the performance of their duties as a member of the Audit Committee, see "*Directors and Executive Officers*" and "*Management of the Company*".

### Audit Committee Oversight

At no time has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board.

### Reliance on Certain Exemptions

At no time has the Company relied on any exemption contained in NI 52-101, other than that which exempts "venture issuers" from the requirements regarding the composition of the audit committee and certain disclosure obligations.

### Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "*External Auditors*".

### External Auditor Service Fees (By Category)

The aggregate fees billed by our external auditors for audit and other fees for the fiscal years ended July 31, 2017 and 2016 are as follows:

Period Ended	Audit Fees	Audit Related Fees <sup>1</sup>	Tax Fees <sup>2</sup>	All Other Fees <sup>3</sup>
July 31, 2017	\$7,500	\$nil	\$1,250	\$nil
July 31, 2016	\$7,500	\$nil	\$1,250	\$nil

1. Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
2. Fees charged for tax compliance, tax advice and tax planning services.
3. Fees for services other than disclosed in any other column.

## CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders and takes into account the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Company. National Instrument 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

In accordance with National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") our corporate governance practices are summarized below. The Board will continue to monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

## **Board of Directors**

The Company's Board is currently composed of four directors – Paul Rosen, Theo van der Linde, Brendan Purdy and Stuart Wooldridge. The Board facilitates its exercise of independent supervision over management by ensuring sufficient representation by directors independent of management.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, NI 58-101 suggests that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary. One-half of the Company's Board is independent. Each of Stuart Wooldridge and Brendan Purdy can be considered to be “independent” within the meaning of NI 58-101. Paul Rosen, our CEO and Theo van der Linde our CFO, cannot be considered to be “independent” within the meaning of NI 58-101.

The independent directors will meet separately from the non-independent directors, as determined necessary from time to time, in order to facilitate open and candid discussion among the independent directors. No separate meetings of the independent directors have been held to date. Paul Rosen, a non-independent director, acts as the chairman with respect to the conduct of Board meetings. Given the Company's relatively small size and start-up nature, the Board is satisfied as to the extent of independence of its members. The Board is satisfied that it is not constrained in its access to information, in its deliberations, or in its ability to satisfy the mandate established by law to supervise the business and affairs of the Company, and that there are sufficient systems and procedures in place to allow the Board to have a reasonable degree of independence from day-to-day management.

Being a newly formed Board, the Company's Board has not held any formal Board meetings, but the directors have approved various matters by consent resolutions.

## **Board Mandate**

The Board does not presently have a written mandate describing how the Board delineates its role and responsibilities. The size of the Company is such that all of its operations are conducted by a small management team which is also represented on the Board. The Board considers that management is effectively supervised by the independent directors on an informal basis as the independent directors have regular and full access to management. Further supervision is performed through the Company's Audit Committee which is composed of a majority of independent directors who meet with the Company's auditors without management being in attendance.

## **Position Descriptions**

The Board has not developed written position descriptions for the chairman with respect to the conduct of Board meetings, or for the chair of any committees. The chairman's role and responsibilities in each instance include reviewing notices of meetings, overseeing meeting agendas, conducting and chairing meetings in accordance with good practices, and reviewing minutes of meetings.

The duties and responsibilities for the Company's CEO are commensurate with the position of CEO of a company comparable in nature and size to the Company include overseeing all operations of the Company and developing and devising the means to implement general strategies for the direction and growth of the Company as instructed by the Board.

## Other Reporting Issuer Experience

The following table sets out the directors of the Company who have been directors of other reporting issuers in any Canadian or foreign jurisdiction in the past five years:

Name	Name of Reporting Issuer	Position Held	Name of Exchange or Market (if applicable)	Dates Position Held (from – to) (mm/yy – mm/yy)
Paul Rosen	PharmaCan Capital Corporation iAnthus Capital Holdings Inc.	Director, CEO Director	TSXV CSE	11/13 – 05/16 02/16 – present
Theo van der Linde	Molori Energy Inc. Elcora Advanced Materials Corp. Coronet Metals Inc. Resinco Capital Partners Inc. 1040433 B.C. Ltd. Global Blockchain Technologies Corp. Slam Exploration Inc.	CFO Director, CFO President, CEO CFO Director Director, CFO Director	TSXV TSXV CSE TSXV unlisted CSE TSXV	04/16 – present 06/12 – present 04/11 – present 01/18 – present 06/17 – 07/17 09/17 – present 11/17 – present
Brendan Purdy	Enforcer Gold Corp. Seaway Energy Services Inc. Greenock Resources Inc. Boomerang Oil, Inc. High Hampton Holdings Corp. Element 79 Capital Inc. Supreme Metals Corp. ZTest Electronics Inc. Global Blockchain Technologies Inc.	Director Director, CEO Director Director Director, CEO Director, CEO Director Director Director	TSXV TSXV TSXV CSE CSE TSXV CSE CSE CSE	04/16 – present 04/16 – 10/16 10/15 – 02/16 04/14 – 01/18 12/16 – 12/17 02/17 – present 12/16 – present 12/17 – present 03/17 – present
Stuart Wooldridge	Yuntone Capital Corp.	Director CEO	TSXV	03/08 – 02/18 06/15 – 02/18

## Orientation and Continuing Education

Each new director is given an outline of the nature of the Company's business, its corporate strategy, and current issues within the Company. New directors are encouraged to review the Company's public disclosure records and are also required to meet with management of the Company to discuss and better understand the Company's business and are given the opportunity to meet with counsel to the Company to discuss their legal obligations as directors of the Company.

In addition, management of the Company will take steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies which may affect the directors, officers and committee members of the Company as a whole. The Company's legal counsel continually reviews the latest securities rules and policies and is on the mailing list of the Exchange to receive updates to any of those policies. Any such changes or new requirements are then brought to the attention of the Company's directors and management.

## Ethical Business Conduct

The Board has not established a Corporate Governance Committee, but plans do so in the future. As some of our directors also serve as directors and officers of other companies engaged in similar business activities, our directors must comply with the conflict of interest provisions of applicable corporate law, as well as the relevant securities regulatory instruments, in order to ensure that they exercise independent judgment in considering transactions and agreements in respect of which they may have a material interest. Any interested director would be required to

declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

The Board plans to establish a code of ethical conduct policy pursuant to the requirements of National Policy 58-201. The full text of this policy will be posted for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Nomination of Directors**

The Company's management is continually in contact with individuals involved with public sector issuers. From these sources management has made numerous contacts and in the event that the Company requires any new directors, such individuals will be brought to the attention of the Board. The Company conducts due diligence, reference and background checks on any suitable candidate. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, integrity of character and a willingness to serve.

### **Compensation**

The Board has not yet formed a Compensation Committee to monitor and review the salary and benefits of its executive officers. The Board will periodically review the Company's general compensation structure, policies and programs in consideration of industry standards and the Company's financial situation until a Compensation Committee is formed.

### **Other Board Committees**

At present, the only committee the Company has is an Audit Committee. The Company may create other committees in the future.

### **Assessments**

Neither the Company nor the Board has determined formal means or methods to regularly assess the Board, its committees or the individual directors with respect to their effectiveness and contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contribution of an individual director is informally monitored by the other Board members, having in mind the business and other strengths of the individual and the purpose of originally nominating the individual to the Board.

## **PLAN OF DISTRIBUTION**

This Prospectus is being filed in the Provinces of British Columbia, Alberta and Ontario to qualify the distribution of 180,000,000 Underlying Units issuable upon the conversion of an equivalent number of Special Warrants.

On the Closing Date, the Company distributed 180,000,000 Special Warrants to the Investors, for cash consideration received of \$0.05 per Special Warrant. No agent or underwriter was engaged in connection with the Offering.

The Company agreed with the Investors to use reasonable commercial efforts to clear resale restrictions that are or may be applicable to the Underlying Units by seeking to clear a final Prospectus qualifying the distribution of the Underlying Shares and Underlying Warrants in applicable jurisdictions in Canada.

The CSE has conditionally approved the listing of the Underlying Shares and the Warrant Shares upon issuance. Listing is subject to the Company fulfilling all of the requirements of the CSE.

## **Special Warrants**

The Special Warrants were issued pursuant to and are governed by and subject to the terms and conditions of the Special Warrant Certificates which are each dated as of the Closing Date. The Special Warrant Certificates provide, among other things, that the holders of Special Warrants will be entitled to receive, upon exercise or deemed conversion of the Special Warrants, without payment of any additional consideration and subject to adjustment in certain circumstances, one Underlying Unit for each Special Warrant held, upon the earlier of (i) a receipt being issued for the final Prospectus; and (ii) four months and a day following the Closing Date.

The Special Warrant Certificates provide that the Special Warrants do not confer on a holders thereof any right or interest whatsoever as a shareholder of the Company, including but not limited to any right to vote at, to receive notice of, or to attend, any meeting of shareholders or any other proceedings of the Company or any right to receive any dividend or other distributions. No fractional Underlying Units will be issued upon the exercise or deemed exercise of the Special Warrants.

The Special Warrant Certificates also provide for and contain adjustment provisions designed to keep the holders of the Special Warrants unaffected by the possible occurrence of certain events, including any subdivision, re-division, change, reduction, combination, consolidation, or stock dividend of the Common Shares, or the amalgamation, merger or corporate reorganization of the Company. The Special Warrant Certificates provide that in each such event the number of Underlying Units issuable upon the exercise or deemed conversion of the Special Warrants will be adjusted immediately after the effective date of such event.

The foregoing is a summary description of certain material provisions of the Special Warrant Certificates, it does not purport to be a comprehensive summary and is qualified in its entirety by reference to the more detailed provisions of the Special Warrant Certificates, a form of which has been filed on SEDAR in connection with this Prospectus.

## **RISK FACTORS**

*An investment in the Company's securities should be considered highly speculative due to the nature of our business and the present stage of our development. An investment in the Company's securities should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Prospective investors should consult with their professional advisors to assess an investment in the Company. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in this Prospectus, the risk factors listed below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with our operations.*

### **Risks related to holding Shares**

#### *No Established Market*

There is currently no market through which our securities may be traded. While we anticipate having our Shares listed for trading on the CSE, there is no assurance such listing will be granted or maintained.

#### *Liquidity Concerns and Future Financing Requirements*

We have no source of operating revenue. It is likely we will operate at a loss until we are able to realize cash flow from our investments. We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of Shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

### *Volatility of Share Price*

As it is anticipated that our Shares will be listed on the Exchange, factors such as announcements of quarterly variations in operating results, revenues, costs, as well as market conditions in the cannabis industry may have a significant impact on the market price of our Shares. Global stock markets and the Exchange in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in our sector have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will develop or be sustained for our Shares.

### *Uncertainty of Use of Proceeds*

Although we have set out our intended use of proceeds from the Offering, the same are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. See “*Note Regarding Forward-looking Statements*” for more details.

### *Prospect of Dividends*

We do not anticipate that any dividends will be paid on our Shares in the foreseeable future.

### **Risks Related to the Cannabis Industry**

The following disclosure is intended to comply with CSA Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

#### *Regulatory Risks*

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

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

The U.S. cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the participant and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company’s investments’ earnings and could make future investments uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company expects to derive its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.



The Company's investments are expected to be focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's investments in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments. The Company's funding of businesses involved in the medical and adult-use cannabis industry may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

#### *Nature of the Company's Involvement in the U.S. Cannabis Industry*

Through its Royalty Acquisition, the Company will have a material ancillary involvement in the cannabis industry in California. Currently, the Company is not directly or indirectly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or adult-use cannabis marketplace in any jurisdiction within the United States.

#### *Illegality under U.S. Federal Law*

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA in the U.S. and as such, activities within the cannabis industry are illegal under U.S. federal law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the “Cole Memorandum”) acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice (“DOJ”) has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum known as the “Sessions Memorandum.” This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was “unnecessary” due to existing general enforcement guidance as set forth in the U.S. Attorney’s Manual (the “USAM”). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government’s limited resources, and include “law enforcement priorities set by the Attorney General,” the “seriousness” of the alleged crimes, the “deterrent effect of criminal prosecution,” and “the cumulative impact of particular crimes on the community.”

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance, and states the statutory view that it is a “dangerous drug and that marijuana activity is a serious crime,” it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum’s guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum “returns trust and local control to federal prosecutors” to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would “evaluate violations of those laws in accordance with our district’s federal law enforcement priorities and resources.”

As previously stated, the U.S. Congress has passed appropriations bills (currently in the form of the Rohrabacher-Farr Amendment) each of the last three years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2017 Consolidated Appropriations Act has been extended until March 23, 2018 under a continuing budget resolution, and as such, the Rohrabacher-Farr Amendment is still in effect as of today’s date. [NTD: update.] Should Congress pass a budget resolution for fiscal year 2018, some version of the Rohrabacher-Farr Amendment may or may not be included in its final form.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher-Farr Amendment in the 2018 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations, and provide no protection against businesses operating in compliance with a state’s recreational cannabis laws.

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

The Company's investments in entities involved in the U.S. cannabis industry will be made (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only in those entities that have fully complied with such state (and local) laws and regulations and have the licenses, permits or authorizations to properly carry on each element of their business.

In addition, the Company will ensure, prior to advancing funds to Desert Horizons, that it is in compliance with applicable licensing requirements and the regulatory framework enacted in California, either by way of a review of Desert Horizon's licenses or affirmation certifications from Desert Horizons prior to each advance of funds.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold an investment, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

#### *Anti-Money Laundering Laws and Regulations*

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

Despite these laws, the FinCEN issued the FinCEN Memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance in the 2014 Cole Memo issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA on the same day. The 2014 Cole Memo was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, 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 finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business.

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

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

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

#### *Canadian Securities Regulatory Matters*

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has 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 U.S. 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 U.S., 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. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange, should the Common Shares have become listed on a stock exchange.

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 U.S. 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 U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of the applicable stock exchange.

### *Heightened Scrutiny*

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

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

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

### *Unfavourable Publicity or Consumer Perception*

The legal cannabis industry in the United States is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use 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 cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed investment business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

## **Risks Related to our Business in General**

### *Limited Operating History*

The Company has a limited operating history, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment into the Company.

### *Competition*

The Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, 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 certain aspects of the industry. 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.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. The Company may not have sufficient resources to remain competitive, which could materially and adversely affect the business, financial condition and results of operations of the Company.

#### *Loan Facility and Indebtedness*

Any indebtedness of the Company, particularly any principal amount drawn down under the Loan Facility, could have significant consequences on the Company, including: increase the Company’s vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company’s cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company’s flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company’s ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

#### *Currency Fluctuations*

The Company’s revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company’s business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

### **Risks Related to Royalties**

#### *Rights of Third Parties may Restrict the Ability to Acquire Existing Royalties*

Royalty interests may be subject to: (i) buy-down right provisions pursuant to which the operator may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the royalty; or (iii) claw back rights pursuant to which the seller of a royalty has the right to re-acquire the royalty. As a result, (a) royalties held by the Company may not continue for the full term of the original contract, and (b) should the Company seek to acquire existing royalties in the future, holders of such rights may exercise them such that certain existing royalty interests would not be available for acquisition.

#### *Costs May Influence Return to Royalty Holder*

Should the Company hold a net profit royalty, it would have the added risk that such royalties allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. These cost pressures may include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the royalty holder will not be able to predict and will be beyond the control of such holder, and can have a dramatic effect on the amount payable on these royalties. Any increase in the costs incurred by the operators will likely result in a decline in the royalty received by the royalty holder. This, in turn, may have a material adverse effect on its profitability, financial condition, and results of operation.

### *Dependence on Third Party Operators*

Cash flows derived from royalties are based on operations by third parties. These third parties will be responsible for determining the manner in which their business is operated or the relevant assets subject to the royalties are exploited, including decisions to expand, continue or reduce production, decisions about the marketing of products extracted from the asset and decisions to advance expansion efforts and further develop non-producing assets. As a holder of royalties or other interests, the Company will have little or no input on such matters. The interests of third party owners and operators and those of the Company on the relevant assets may not always be aligned.

### *Limited Access to Data and Disclosure*

As a holder of royalties and other non-operator interests, the Company neither serves as the owner or operator, and in almost all cases the Company has limited input into how the operations are conducted. As such, the Company has varying access to data on the operations or to the actual assets themselves. This could affect its ability to assess the value of the royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by the Company based on the stage of development of the applicable business or assets. The Company's royalty payments may be calculated by the payors in a manner different from the Company's projections and the Company may or may not have rights of audit with respect to such royalty interests. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and as such the Company may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the businesses in which the Company has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

### *Royalties May not be Honoured*

Royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties and other interests do not abide by their contractual obligations, the Company may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

## **General Business Risks**

### *Future Royalty Acquisitions*

As part of the Company's overall business strategy, the Company intends to pursue further royalty acquisitions. There are always risks associated with any business transaction, particularly one that involves a largely cash based operation, operating in a new and growing field, with conflicting federal and state laws. There is no assurance any future royalty acquisitions will be profitable.

### *Market Development*

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

### *Reliance on Management*

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such people. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

### *Liability, Enforcement Complaints, etc.*

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities. Litigation, complaints, and enforcement actions the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

### *Product Liability*

As cannabis products are meant to be ingested by humans, there is an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against Desert Horizon could result in increased costs, could adversely affect the Company's investment and reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

### *Reliance on Key Inputs*

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of Desert Horizons. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, Desert Horizons might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of Desert Horizons, and consequently, the Company.

### *Intellectual Property*

The success of the Company may depend, in part, on the ability of Desert Horizons to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it. Desert Horizons may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of Desert Horizons. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

### *Insurance Coverage*

The Company will require Desert Horizons to have insurance coverage for applicable risks. However, there can be no assurance that such coverage will be available or sufficient to cover claims to which Desert Horizons may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, Desert Horizons' financial resources, results of operations and prospects, as well as the Company's investment, could be adversely affected.

### *Costs of Maintaining a Public Listing*

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### *Litigation*

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against



the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

#### *Operational Risks*

Desert Horizons may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Desert Horizons' properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on Desert Horizons' operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, Desert Horizons may be subject to or affected by liability or sustain loss for certain risks and hazards against which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

#### *Difficulty Implementing Business Strategy*

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

#### *Conflicts of Interest*

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

#### *Available Talent Pool*

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of investments and cannabis may be difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

## **PROMOTERS**

There is no person who may be considered to be a promoter of the Company, as that term is defined in the *Securities Act* (British Columbia).

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

There are no legal proceedings outstanding, threatened or pending, as of the date hereof, by or against us or to which we are a party or to which our business or any of our assets is subject, nor to our knowledge are any such legal proceedings contemplated which could become material to a purchaser of our securities.

## **Regulatory Actions**

Other than the historic cease trade orders against the Company referred to herein, there have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

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

For purposes of this Prospectus, “informed person” means:

- (a) any director or executive officer of the Company;
- (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Company’s outstanding Shares; and
- (c) any associate or affiliate of any of the foregoing persons.

Other than as described in this Prospectus, no informed person has had any material interest, direct or indirect, in any material transaction within the three years preceding the date of this Prospectus.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Our auditor is Manning Elliott, LLP. Chartered Professional Accountants, 11<sup>th</sup> Floor, 1050 West Pender Street, Vancouver, British Columbia V6E 3S7.

Our registrar and transfer agent is AST Trust Company, 1 Toronto Street, Suite 1200, Toronto, Ontario M5C 2V6.

## **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by us, or which currently affect us:

- (a) Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated February 28, 2017 between the Company and Computershare Investor Services Inc.;
- (b) Escrow Agreement dated ●, 2018, among the Company, the Escrow Agent and certain shareholders of the Company. See “*Escrowed Securities*”; and
- (c) Our Stock Option Plan. See “*Stock Option Plan*”.

Copies of all material contracts may be inspected at our registered office at Owen Bird Law Corporation, Suite 2900 – 595 Burrard Street, Vancouver, BC V7X 1J5, during normal business hours for a period of 30 days following the date of this Prospectus. The material contracts will also be available on the SEDAR website (www.sedar.com) upon the issuance of the final receipt for this Prospectus.

## **EXPERTS**

There are no persons whose profession or business gives authority to a statement made by such person and who are named in this Prospectus, except for the auditors’ report attached to our audited financial statements for the fiscal years ended July 31, 2017 and 2016 which were prepared by our auditors, Manning Elliott LLP. Manning Elliott LLP has advised the Company that they are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

No person whose profession or business gives authority to a statement made by such person and who is named in this Prospectus has received or will receive a direct or indirect interest in our assets or any associate or affiliate of the Company. As at the date hereof, and except as disclosed above, none of the aforementioned persons beneficially

owns, directly or indirectly, securities of the Company or its associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate or affiliate of the Company, or a promoter of the Company or of an associate or affiliate of the Company.

### **OTHER MATERIAL FACTS**

There are no further facts or particulars in respect of the securities being distributed pursuant to this Prospectus that are not already disclosed herein that are necessary to be disclosed for this Prospectus to contain full, true and plain disclosure of all material facts relating to such securities.

### **LIST OF EXEMPTIONS**

The Company has not applied for or received any exemption from NI 41-101, regarding this Prospectus or the distribution of securities under this Prospectus.

### **FINANCIAL STATEMENT DISCLOSURE**

Our audited financial statements for the fiscal years ended July 31, 2017 and 2016 and our unaudited financial statements for the three months ended October 31, 2017 are included herein as Schedules “A” and “B” respectively. Our fiscal year end is July 31.

### **SIGNIFICANT ACQUISITIONS**

Other than as described herein, we have not completed any acquisitions or dispositions in the past three fiscal years, and while currently in negotiations with respect to potential investments, there are no significant acquisitions or dispositions planned or proposed.

**SCHEDULE “A”**

**Financial Statements of the Company  
for fiscal years ended July 31, 2017 and 2016**

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**TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

Financial Statements

Years Ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of  
Tidal Royalty Corp. (formerly Tulloch Resources Ltd.)

We have audited the accompanying financial statements of Tidal Royalty Corp. which comprise the statements of financial position as at July 31, 2017 and 2016, and the statements of comprehensive loss, changes in deficiency and cash flows for the years ended July 31, 2017 and 2016, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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 our 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, we 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tidal Royalty Corp. at July 31, 2017 and 2016, and its financial performance and its cash flows for the years ended July 31, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Tidal Royalty Corp. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
October 31, 2017

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)  
Statements of Financial Position  
As At July 31, 2017 and 2016  
(Expressed in Canadian dollars)

	July 31, 2017 \$	July 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	20,265	1,585
Sales tax receivable	858	2,349
Prepaid expenses	1,211	-
<b>Total assets</b>	<b>22,334</b>	<b>3,934</b>
<b>Liabilities and Deficiency</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	105,225	57,387
Due to related parties (Note 4)	22,766	49,780
Loans payable (Note 5)	30,000	-
<b>Total current liabilities</b>	<b>157,991</b>	<b>107,167</b>
<b>Deficiency</b>		
Share capital (Note 6)	12,297,109	12,297,109
Contributed surplus	27,464	27,464
Deficit	(12,460,230)	(12,427,806)
<b>Total deficiency</b>	<b>(135,657)</b>	<b>(103,233)</b>
<b>Total liabilities and deficiency</b>	<b>22,334</b>	<b>3,934</b>

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board on October 31, 2017

"Stuart Wooldridge"  
Stuart Wooldridge, Director

"Theo van der Linde"  
Theo van der Linde, Director

(The accompanying notes are an integral part of these financial statements)

**TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

For the Years Ended July 31, 2017 and 2016

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

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	<b>July 31, 2017</b>	<b>July 31, 2016</b>
	<b>\$</b>	<b>\$</b>
Expenses		
Advertising and promotion	1,508	6,083
Consulting fees (Note 4)	6,000	31,480
General and administration	1,285	12,518
Professional fees	14,717	8,679
Transfer agent and filing fees	5,919	-
Travel	2,995	-
Net loss and comprehensive loss for the year	<u>(32,424)</u>	<u>(58,760)</u>
Loss per share, basic and diluted	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding	<u>2,843,636</u>	<u>2,768,795</u>

(The accompanying notes are an integral part of these financial statements)



**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)  
Statements of Changes in Deficiency  
(Expressed in Canadian dollars)

	Share capital		Share subscriptions \$	Contributed surplus \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
<b>Balance, July 31, 2015</b>	2,660,303	12,242,109	45,000	27,464	(12,369,046)	(54,473)
Shares issued for cash	183,333	55,000	(45,000)	-	-	10,000
Net loss for the year	-	-	-	-	(58,760)	(58,760)
<b>Balance, July 31, 2016</b>	2,843,636	12,297,109	-	27,464	(12,427,806)	(103,233)
Net loss for the year	-	-	-	-	(32,424)	(32,424)
<b>Balance, July 31, 2017</b>	2,843,636	12,297,109	-	27,464	(12,460,230)	(135,657)

On June 26, 2017, the Company completed a one-for-three share consolidation. All references to share capital, warrants, options and per share data have been adjusted retrospectively to reflect the Company's one-for-three share consolidations for the years ended July 31, 2017 and 2016.

(The accompanying notes are an integral part of these financial statements)

**TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

For the Years Ended July 31, 2017 and 2016

Statements of Cash Flows

(Expressed in Canadian dollars)

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	July 31, 2017	July 31, 2016
	\$	\$
<hr/>		
Cash provided by (used in):		
Operating activities		
Net loss for the year	(32,424)	(58,760)
Changes in non-cash operating working capital:		
Sales tax receivable	1,491	486
Prepaid expenses	(1,211)	-
Accounts payable and accrued liabilities	47,838	8,114
Net cash generated by (used in) operating activities	15,694	(50,160)
Financing activities		
Due to related parties	(27,014)	32,627
Loans payable	30,000	-
Shares issued for cash	-	10,000
Net cash provided by financing activities	2,986	42,627
Increase (decrease) in cash	18,680	(7,533)
Cash, beginning of year	1,585	9,118
Cash, end of year	20,265	1,585
Supplemental disclosures:		
Interest paid	-	-
Income tax paid	-	-

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(The accompanying notes are an integral part of these financial statements)

## **TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### **1. Nature of Operations and Going Concern**

Tidal Royalty Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US .

The head office, address and records office of the Company are located at Suite 2900 – 595 Burrard Street, P.O. Box 49130, Vancouver, British Columbia, V7X 1J5.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2017, the Company has no source of revenue, generates negative cash flows from operating activities, and has a working capital deficit of \$135,657 and an accumulated deficit of \$12,460,230. These factors give rise to a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to identify projects and negotiate suitable arrangements, maintain support from its significant shareholders and obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from financing from related parties to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Basis of Preparation and Statement of Compliance**

#### Statement of Compliance

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issuance by the Board of Directors on October 31, 2017.

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(d), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

#### Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## **TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### **2. Basis of Preparation and Statement of Compliance (continued)**

#### Use of Estimates and Judgments (continued)

##### *i) Share-based payment transactions*

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

##### *ii) Income taxes*

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

##### *iii) Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

### **3. Significant Accounting Policies**

#### **(a) Cash and Cash Equivalents**

The Company considers cash equivalents are highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash. As at July 31, 2017, the Company held cash only.

#### **(b) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (c) Financial Instruments

##### (i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade 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 risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### *Financial assets at fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when 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 is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classified cash as financial assets at FVTPL.

##### *Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any financial assets classified as available-for sale.

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (c) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial assets classified as loans and receivables.

###### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets 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. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, 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 profit or 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. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (c) Financial Instruments (continued)

##### (ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

#### (d) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (e) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

#### (f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

#### (g) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.



## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

#### (h) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

#### (i) Changes in Accounting Standards Issued

(i) There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2016 that affected the Company's financial statements.

(ii) Accounting Standards Issued But Not Yet Effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standards effective for annual periods beginning on or after January 1, 2018:

*IFRS 15 Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

*IFRS 9 Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

(i) Changes in Accounting Standards Issued (continued)

(ii) Accounting Standards Issued But Not Yet Effective: (continued)

*IFRS 2 Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

*IFRS 16 Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

### 4. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were incurred during the years ended July 31, 2017 and 2016.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The short-term key management compensation and director fees consist of the following for the years ended July 31, 2017 and 2016:

	2017	2016
	\$	\$
Consulting fees to companies owned by common directors	-	25,000
Consulting fees to companies owned by officers	6,000	-
Total	6,000	25,000

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### 4. Related Party Transactions and Balances (continued)

The amounts due to related parties consist of the following as at July 31, 2017 and 2016:

	2017	2016
	\$	\$
Due to related parties	22,766	49,780

A loan of \$10,000 is included in the amount of due to related parties above and it is for working capital purposes. The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

### 5. Loans Payable

As at July 31, 2017, the Company issued loans payable of \$30,000 (2016 - \$Nil). The loans are unsecured, non-interest bearing and due on demand.

### 6. Share Capital

Authorized

Unlimited number of common shares without par value, and unlimited number of preferred shares without par value.

Issued and Outstanding

On June 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the Company issued 33,333 common shares at \$0.30 per share for gross proceeds of \$10,000. The Company also issued 150,000 common shares at \$0.30 per share for \$45,000 of share subscriptions received during the year ended July 31, 2015.

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)  
Notes to Financial Statements  
For the Years ended July 31, 2017 and 2016  
(Expressed in Canadian dollars)

**6. Share Capital** (continued)

Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Options outstanding and exercisable	Weighted average exercise price \$
Balance, July 31, 2015	158,333	0.18
Expired	(83,333)	0.15
Balance, July 31, 2016	75,000	0.18
Expired/Cancelled	(75,000)	0.18
<b>Balance, July 31, 2017</b>	<b>-</b>	<b>-</b>

As at July 31, 2017, there were no stock options outstanding and exercisable.

**7. Financial Instruments and Risks**

(a) Fair Values

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Input for assets or liabilities that are not based on observable market data.

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	July 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 20,265	\$ -	\$ -	\$ 20,265

  

	July 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,585	\$ -	\$ -	\$ 1,585

## TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

### 7. Financial Instruments and Risks (continued)

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

#### (c) Foreign Exchange Rate and Interest Rate Risk

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. The Company does not have significant interest rate risk.

During the years ended July 31, 2017 and 2016, the Company held financial assets and liabilities and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

#### (d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do this relies on the Company raising equity financing in a timely manner. As at July 31, 2017, the Company has a working capital deficiency and requires additional funds from financing to meet its current obligations (see Note 1). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9.

The following are contractual maturities of financial liabilities as at July 31, 2017:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years
Accounts payable	\$ 97,225	\$ 97,225	\$ 97,225	\$ -
Due to related parties	\$ 22,766	\$ 22,766	\$ 22,766	\$ -

### 8. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Net loss before income taxes	(32,424)	(58,760)
Canadian statutory income tax rate	26%	26%
Expected income tax recovery at statutory rate	8,430	15,278
Tax effect of:		
Other non-deductible expense	(124)	276
Change in unrecognized deferred tax assets	(8,306)	(15,554)
Income tax recovery	-	-

**TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

**8. Income Taxes (continued)**

The significant components of deferred income tax assets and liabilities are as follows:

	2017	2016
	\$	\$
Deferred income tax assets:		
Non-capital losses carried forward	180,670	172,211
Resource pools	875,655	875,655
Share issuance costs	-	153
Total gross deferred income tax assets	1,056,325	1,048,019
Unrecognized deferred tax assets	(1,056,325)	(1,048,019)
Net deferred income tax assets	-	-

As at July 31, 2017, the Company has non-capital losses carried forward of approximately \$695,000 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2030	300
2031	96,900
2032	139,400
2033	225,600
2034	18,300
2035	122,000
2036	60,000
2037	32,500
	695,000

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$3,368,000 (2016 - \$3,368,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

**9. Capital Management**

The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital. Management considers all components of shareholders' deficiency and due to related parties as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

## **TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

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### **9. Capital Management** (continued)

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2017. Refer to Note 1 for management's plan to raise capital.

### **10. Segment Information**

The Company currently operates in a single reportable operating segment. All of the Company's assets and expenditures are located in Canada.

**SCHEDULE "B"**  
**Financial Statements of the Company**  
**For the three months ended October 31, 2017**



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**TIDAL ROYALTY CORP.**

(formerly Tulloch Resources Ltd.)

Condensed Interim Financial Statements

Three-month period ended October 31, 2017 and 2016

(Unaudited)

Expressed in Canadian dollars

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Condensed Interim Statements of Financial Position  
As at October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

	October 31, 2017 \$	July 31, 2017 \$
		<i>(Audited)</i>
Assets		
Current assets		
Cash	22,619	20,265
Sales tax receivable	2,296	858
Prepaid expenses	-	1,211
<b>Total assets</b>	<b>24,915</b>	<b>22,334</b>
Liabilities and Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	111,236	105,225
Due to related parties (Note 4)	35,413	22,766
Loans payable (Note 5)	70,000	30,000
<b>Total current liabilities</b>	<b>216,649</b>	<b>157,991</b>
Deficiency		
Share capital (Note 6)	12,297,109	12,297,109
Contributed surplus	27,464	27,464
Deficit	(12,516,307)	(12,460,230)
<b>Total deficiency</b>	<b>(191,734)</b>	<b>(135,657)</b>
<b>Total liabilities and deficiency</b>	<b>24,915</b>	<b>22,334</b>

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board on December 22, 2017

"Stuart Wooldridge"  
Stuart Wooldridge, Director

"Theo van der Linde"  
Theo van der Linde, Director

(The accompanying notes are an integral part of these financial statements)

**TIDAL RESOURCES CORP.**

(formerly Tulloch Resources Ltd.)

Condensed Interim Statements of Comprehensive Loss  
For the three-month periods ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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	Three months October 31, 2017 \$	Three months October 31, 2016 \$
Expenses		
Consulting fees (Note 4)	28,935	-
General and administration	1,562	913
Professional fees	14,110	-
Transfer agent and filing fees	11,470	-
Net loss and comprehensive loss for the period	(56,077)	(913)
Loss per share, basic and diluted	(0.02)	(0.00)
Weighted average number of common shares outstanding	2,843,636	2,843.646

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(The accompanying notes are an integral part of these financial statements)

**TIDAL RESOURCES CORP.**

(formerly Tulloch Resources Ltd.)

## Condensed Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share capital		Share subscriptions \$	Contributed surplus \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
<b>Balance, July 31, 2016</b>	2,843,636	12,297,109	-	27,464	(12,427,806)	(103,233)
Shares issued for cash	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(913)	(913)
<b>Balance, October 31, 2016</b>	2,843,636	12,297,109	-	27,464	(12,428,719)	(104,146)
<b>Balance, July 31, 2017</b>	2,843,636	12,297,109	-	27,464	(12,460,230)	(135,657)
Net loss for the period	-	-	-	-	(56,077)	(56,077)
<b>Balance, October 31, 2017</b>	2,843,636	12,297,109	-	27,464	(12,516,307)	(191,734)

On July 26, 2017, the Company completed a one-for-three share consolidation. All references to share capital, warrants, options and per share data have been adjusted retrospectively to reflect the Company's one-for-three share consolidations for the periods ended October 31, 2017 and 2016.

(The accompanying notes are an integral part of these financial statements)

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Interim Condensed Statements of Cash Flows  
For the three-month periods ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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	October 31, 2017 \$	October 31, 2016 \$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(56,077)	(913)
Changes in non-cash operating working capital:		
Sales tax receivable	(1,438)	(38)
Prepaid expenses	1,211	-
Accounts payable and accrued liabilities	6,011	750
Net cash generated by (used in) operating activities	(50,293)	(162)
Financing activities		
Due to related parties	12,647	-
Loans received	40,000	-
Net cash provided by financing activities	52,647	-
Increase (decrease) in cash	2,354	(162)
Cash, beginning of period	20,265	1585
Cash, end of period	22,619	1,423
Supplemental disclosures:		
Interest paid	-	-
Income tax paid	-	-

(The accompanying notes are an integral part of these financial statements)

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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**1. Nature of Operations and Going Concern**

Tidal Resources Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Resources Corp. on July 18, 2017. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US.

The head office, address and records office of the Company are located at Suite 2900 – 595 Burrard Street, P.O. Box 49130, Vancouver, British Columbia, V7X 1J5.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2017, the Company has no source of revenue, generates negative cash flows from operating activities, and has a working capital deficit of \$191,734 and an accumulated deficit of \$12,516,307. These factors give rise to a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to identify projects and negotiate suitable arrangements, maintain support from its significant shareholders and obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from financing from related parties to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

**2. Basis of Preparation and Statement of Compliance**

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2017. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended July 31, 2017.

The financial statements were approved and authorized for issuance by the Board of Directors on December 22, 2017.

Basis of Presentation

The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**2. Basis of Preparation and Statement of Compliance (continued)**

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

**3. Significant Accounting Policies**

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Changes in Accounting Standards Issued

- (i) There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2016 that affected the Company's financial statements.
- (ii) Accounting Standards Issued but Not Yet Effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.



**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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**3. Significant Accounting Policies** (continued)

(j) Changes in Accounting Standards Issued (continued)

(ii) Accounting Standards Issued but Not Yet Effective: (continued)

*IFRS 2 Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provides guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

*IFRS 16 Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

**4. Related Party Transactions and Balances**

The Company has identified its directors and certain senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were incurred during the three-month periods ended October 31, 2017 and 2016.

During the period, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The short-term key management compensation and director and consulting fees consist of the following for the three-month periods ended October 31, 2017 and 2016:

	October 31, 2017 \$	October 31 2016 \$
Consulting fees to companies owned by common directors and officers	28,935	-
Total	28,935	-

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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**4. Related Party Transactions and Balances (Continued)**

The amounts due to related parties consist of the following as at October 31, 2017 and July 31, 2017:

	<b>October 31, 2017</b>	<b>July 31, 2017</b>
	<b>\$</b>	<b>\$</b>
Due to related parties	35,413	22,766

A loan of \$10,000 is included in the amount of due to related parties above and it is for working capital purposes. The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

**5. Loans Payable**

As at October 31, 2017, the Company issued loans payable of \$70,000 (July 31, 2017 - \$30,000). The loans are unsecured, non-interest bearing and due on demand.

**6. Share Capital**

Authorized

Unlimited number of common shares without par value, and unlimited number of preferred shares without par value.

Issued and Outstanding

On June 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the Company issued 33,333 common shares at \$0.30 per share for gross proceeds of \$10,000. The Company also issued 150,000 common shares at \$0.30 per share for \$45,000 of share subscriptions received during the year ended July 31, 2015.

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one-year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

**6. Share Capital (Continued)**

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

Stock Options (Continued)

The following table summarizes the continuity of the Company's stock options:

	Options outstanding and exercisable	Weighted average exercise price \$
Balance, July 31, 2016	75,000	0.18
Expired/Cancelled	(75,000)	0.18
Balance, July 31, 2017	-	-
Expired/Cancelled	-	-
Balance, October 31, 2017	-	-

As at October 31, 2017 and July 31, 2017, there were no stock options outstanding and exercisable.

**7. Financial Instruments and Risks**

(a) Fair Values

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Input for assets or liabilities that are not based on observable market data.

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	October 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 22,619	\$ -	\$ -	\$ 22,265

  

	July 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 20,265	\$ -	\$ -	\$ 20,265

**7. Financial Instruments and Risks (continued)**

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. The Company does not have significant interest rate risk.

During the years ended July 31, 2017 and 2016, the Company held financial assets and liabilities and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do this relies on the Company raising equity financing in a timely manner. As at October 31, 2017, the Company has a working capital deficiency and requires additional funds from financing to meet its current obligations (see Note 1). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9.

The following are contractual maturities of financial liabilities as at October 31, 2017:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years
Accounts payable	\$ 94,236	\$ 94,236	\$ 94,236	\$ -
Due to related parties	\$ 35,413	\$ 35,413	\$ 35,413	\$ -

The following are contractual maturities of financial liabilities as at July 31, 2017:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years
Accounts payable	\$ 97,225	\$ 97,225	\$ 97,225	\$ -
Due to related parties	\$ 22,766	\$ 22,766	\$ 22,766	\$ -

**8. Capital Management**

**TIDAL ROYALTY CORP.**  
(formerly Tulloch Resources Ltd.)

Notes to the Condensed Interim Financial Statements  
For the three-month period ended October 31, 2017 and 2016  
(Expressed in Canadian dollars)  
(Unaudited)

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The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital. Management considers all components of shareholders' deficiency and due to related parties as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2017. Refer to Note 1 for management's plan to raise capital.

**9. Segment Information**

The Company currently operates in a single reportable operating segment. All of the Company's assets and expenditures are located in Canada.

**10. Subsequent event**

The Company is in the process of raising up to \$6,000,000, which might increase, in a non-brokered private placement by issuing up to 120 million units at \$0.05 per unit, with each unit comprising of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.05 per common share expiring two years from closing.

**SCHEDULE “C”**  
**Management Discussion & Analysis for the fiscal year ended July 31, 2017**

# **TIDAL ROYALTY CORP.**

## **SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS**

For the fiscal year ended July 31, 2017

October 31, 2017

*This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the period ended July 31, 2017, compared to the period ended July 31, 2016. This report prepared as at October 31, 2017 intends to complement and supplement our annual financial statements (the "financial statements") as at July 31, 2017 and should be read in conjunction with the financial statements and the accompanying notes.*

*Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.*

*Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

*Where we say "we", "us", "our", or the "Company", we mean Tidal Royalty Corp. (formerly Tulloch Resources Ltd.)*

### **Business Description**

The Company is an investment company with a focus on the legal cannabis industry in the United States. We anticipate making investments involving conventional equity, licensing, royalties, debt and other forms of investments in private and public companies, in the US legal cannabis related industry.

The Company intends to invest in all aspects of the legal cannabis industry, including production, distribution, and technologies (such as extraction and processing equipment), delivery services, packaging and security services.

The success and ultimate outcome of the Company's operations cannot presently be determined because they are contingent on future matters. See Risk Factors

The Company is a reporting issuer in the provinces of British Columbia and Ontario with plans to list on the Canadian Securities Exchange (CSE).

### **Highlights and Overall Performance**

With our shareholders' consent (received September 5, 2017), the Company changed its business from mineral exploration to that of investment company. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies with a plan to focus its investments in the cannabis industry in the United States. While the Company has identified the legal cannabis industry to be of interest for investments, and while it is in discussions to make various acquisitions, it should be noted that (i) no contracts have been entered into, and (ii) as such there is no guarantee the Company will make any investments in cannabis related businesses, or, if made, that any such investments will be profitable. There can be no assurance that the Company will be successful in its ventures, or that it will meet the conditions for listing on the CSE. (See: Risk Factors). To execute this change in our business the Company has reorganized its management and added new directors to its board who have relevant investment experience. .

## Significant Events

On July 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

## Selected Annual Information

The following table sets forth selected audited financial information for the Company for the three most recently completed financial years ended July 31, 2017 (“fiscal 2017”), and July 31, 2016 (“fiscal 2016”) and July 31, 2015. The financial information below has been prepared in accordance with IFRS.

For the year ended (Expressed in Canadian dollars)	July 31, 2017	July 31, 2016	July 31, 2015
Revenue	-	-	-
Gross loss	\$ 32,424	\$ 58,760	\$ 129,439
Net loss	32,424	58,760	129,439
Basic and diluted loss per share	0.01	0.02	0.02
Cash	20,265	1,585	9,118
Total assets	22,334	3,934	11,953
Total liabilities	157,991	107,167	66,426
Working Capital (deficit)	(\$135,657)	(\$103,233)	(\$54,473)
Shareholders' equity	(135,657)	(103,233)	(54,473)
Dividends	-	-	-
Number of Shares outstanding at year end	2,843,636	2,843,636	2,660,303

On July 26, 2017 the Company consolidated its share capital on a three for one basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

## Results of Operations

The Company did not have any revenues from operations during the fiscal years ended July 31, 2017, July 31, 2016 and July 31, 2015. Please refer to the audited annual financial statements pertaining to those fiscal years for presentation of the significant operating costs.

During fiscal 2017, the Company's net loss decreased by \$26,336 from a net loss of \$58,760 for fiscal 2016 (\$0.02 per Share) to a net loss of \$32,424 (\$0.01 per Share) for fiscal 2017. The following is a breakdown of the expenses incurred by the Company in each fiscal 2017 and fiscal 2016:

Year Ended	July 31, 2017	July 31, 2016
Advertising and Promotion	\$ 1,508	\$ 6,083
Consulting Fees	6,000	31,480
General and Administration	1,285	12,518
Professional Fees	14,717	8,679
Transfer agent and filing fees	5,919	-
Travel	2,995	-
Total	\$ 32,424	\$ 58,760

Most categories of expenses showed decreases in 2017 compared with 2016, as the Company reorganized management and redirected its business. The increase in transfer agent and filing fees includes payments made to prior period outstanding invoices to the transfer agent. Increased professional fees and travel costs are related to activity associated with the Company's reorganization. The substantial decreases in general and administrative expenses are due to decreased activity during the period and the decrease in consulting fees due to the reorganization of management and related duties.



## Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed quarters.

Three Months Ended	Jul. 31 2017 \$	Apr 30 2017 \$	Jan 31 2017 \$	Oct 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan 31 2016 \$	Oct 31 2015 \$
Total revenues	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	(24,854)	(5,390)	(1,267)	(913)	(18,188)	(3,438)	(14,432)	(22,702)
Net loss per share – Basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

During the three month period ending July 31, 2017, the Company incurred a net loss of \$24,854, compared with a loss of \$18,188 in the three month period ending July 31, 2016. Administration expenses made up the bulk of the expenses. The decreased loss for the year ending July 31, 2017 reflects lower expenses as management reduced expenses as the Company restructured management and implemented a new business plan.

### Liquidity

At July 31, 2017, the Company had cash of \$20,265 (July 31, 2016 - \$1,585) which management considers being insufficient to continue operations for the coming year. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its investment goals and service its obligations listed in the audited consolidated financial statements, the Company will need to raise additional capital. The Company expects to finance operating costs by public or private placement of common shares, exercise of warrants, exercise of options, debt financing, or loans from directors and companies controlled by directors. There is a risk that the Company will not be able to secure sufficient working capital to continue as a going concern because of an inability to obtain external financing or an inability to raise sufficient capital in order to meet its obligations as they become due.

### Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

### Working Capital

At the year ended July 31, 2017, the Company had negative working capital of \$135,657 (July 31, 2016 - \$103,233) which management considered insufficient to continue operations for the coming year. The Company will be seeking to raise further funds from, private placements financings, loans from directors in order to continue operations, and in particular to fund ongoing expenditure commitments as they arise. The Company also plans to finance through private and public offerings.

For the Year Ended	July 31, 2017	July 31, 2016
Total Assets	\$ 22,334	\$ 3,934
Total Liabilities	157,991	107,167
Working Capital	(135,657)	(103,233)
Shareholder's Equity	(135,657)	(103,233)

### Cash Used in Operating Activities

Net cash generated by/(used in) operating activities during the twelve months ended July 31, 2017 was \$15,694 (2016 – (50,160)) which mainly consisted of funds obtained through the delay of payment of accounts payable

### Cash Used in Investing Activities

The Company used nil cash in investing activities in the fiscal years ended July 31, 2017 and 2016.

### Cash Generated by Financing Activities

Total net cash generated during the fiscal year ended July 31, 2017 was \$2,986 by the issuance of loans payable net of repayment to related parties (2016 – \$ 42,627 resulting from loans from related parties and the issuance of 183,333 post-consolidated Shares).

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

### Transactions with Related Parties

#### Key Management Personnel Compensation

For the year ended	July 31, 2017	July 31, 2016
Consulting fee paid 555155BC Ltd. (a holding company 100% owned by Stuart Wooldridge)	\$ Nil	\$ 25,000
Consulting fee paid to Marketworks, Inc., (a company owned by Kathryn Witter)	\$ 6,000	\$ Nil
Total	\$ 6,000	\$ 25,000

At the end of fiscal 2017, the Company had accrued \$4,239 of compensation and expenses to 555155BC Ltd. (July 31, 2016: \$39,780), a Company controlled by an officer and director of the Company. The Company had accrued \$8,526 of compensation and expenses to Marketworks, Inc. (July 31, 2016: \$Nil.) a company controlled by an officer of the Company. Also as of July 31, 2017, the Company has a loan payable of \$10,000 due to an officer and director of the Company. The payable is unsecured, non-interest bearing and have no specific terms for repayment.

### Fourth quarter results

For the three months ended July 31, 2017 the overall expenses totaled \$24,854 compared to \$18,188 in Q4-2016 resulting in a decrease of \$6,669.

Professional fees were \$14,717 in Q4-2017 (Q4-2016: \$429). The 14,288 increase is attributable to payment in different periods and increased activity requiring professional fees.

Consulting fees were \$6,000 in Q4-2017 (Q4-2016: \$16,000). The \$10,000 decrease is attributable to decreased

consulting fees incurred in Q4-2017.

## Outstanding Share Data

At October 31, 2017 the Company had only common shares outstanding:

Securities	Number	Exercise Price	Expiry Date
Common shares	2,843,636	N/A	N/A
Fully diluted share capital	2,843,636	N/A	N/A

On July 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the shareholders approved the increase in the authorized share capital of the Company from 100,000,000 common shares to an unlimited number of common shares, without par value and created a new class for an unlimited number of preferred shares without par value.

## Risks Factors

### Marijuana industry and operational risks

The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US .with a plan to focus its investments in the cannabis industry in the United States. There are certain risks involved with such business activities, including:

- Cannabis is illegal under US federal law, but has been legalized by many US states
- the activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.
- third parties with which the Company does business, including banks and other financial entities, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- the Company has no operating history in this sector;
- the operation of the Company can be impacted by adverse changes and developments affecting the Company's interests;
- the Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- the Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- the Company has a history of net losses, may incur significant losses in the future and may not achieve or maintain profitability;
- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.
- there is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the

safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that the future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;

- the Company and other interests face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- the Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems of controls;
- the Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- the Company, its other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- the market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- there can be no assurance that an active liquid market for the shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited ("CDS") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

### **Price Volatility of Public Stock**

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

## **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

## **Conflicts of Interest**

The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act, British Columbia ("Corporations Act") in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

## **Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry**

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

### *Nature of Tidal's Involvement in the U.S. Cannabis Industry*

Tidal intends to be indirectly involved (through investments in third-party entities in the United States – "Investees") in the cannabis industry in those states of the United States where local and state law permits such activities. Currently, the Company is not directly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or recreational cannabis marketplace in the United States.

### *Illegality under U.S. Federal Law*

Almost half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or recreational level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the "CSA") in the United States and as such, activities within the cannabis industry are illegal under U.S. Federal Law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis related businesses in the United States are subject to a higher degree of uncertainty and risk. Unless and until the US federal government amends the CSA with respect to cannabis, there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Issuer's business, revenues, operating results and financial condition as well as the Issuer's reputation, even if such proceedings were concluded successfully in favour of the Issuer.

There is also the risk that the Issuer's investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

### *U.S. Federal Enforcement Priorities*

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the “Cole Memorandum”) acknowledging that although cannabis is a controlled substance at the federal level, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice (“DOJ”) has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, however, he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward. After taking office, Attorney General Jeff Sessions established a task force to study cannabis but so far, they have issued no final conclusions. As such, the enforcement of US federal laws with respect to cannabis remains uncertain and subject to change.

Tidal’s investments in entities involved in the US cannabis industry will be made (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only in those entities that have fully complied with such state (and local) laws and regulations and have the licences, permits or authorizations to properly carry on each element of their business.

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

The Issuer has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Issuer expects to continue to rely almost exclusively on the capital markets to finance its investments in the US cannabis industry. Although such investments carry a higher degree of risk, and despite the illegal nature of cannabis under U.S. federal laws, Canadian based issuers involved in making U.S. cannabis based investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Issuer will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws.

## **Additional Disclosure for Junior Issuers**

### **Proposed Transactions**

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of the business.

### **Approval**

The Board of Directors oversees management’s responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

## **Forward-looking-information-advisory**

Statements included in this document that do not relate to present or historical conditions are “forward-looking statements”. Forward-looking statements are projections in respect of future events or the Company’s future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “intend”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, or “continue”, or the negative of these terms or other comparable terminology. Forward-looking statements in this Listing Statement include statements with respect to: the ability of the Company to acquire BC wine for export; whether any wine acquired will be embraced by the purchasing public; expected future growth of the export market; the success of the concurrent financing, and statements regarding estimated capital requirements and use of proceeds. These statements are only predictions and involve known and unknown risks and uncertainties, including the risks in the section entitled “Risk Factors”, and other factors which may cause the Company’s actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement

### **Forward Looking Information**

Certain statements in this document constitute “forward-looking statements” and are based on current expectations and involve risks and uncertainties, referred to above and or in Tidal’s financial statements for the year ended July 31, 2017, that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Future results will not be consistent with the Company’s expectations, marijuana prices, demand for marijuana, currency exchange rates, political and operational risks inherent in farming or other business activities, legislative factors relating to prices, taxes, royalties, land use, title and permits, importing and exporting of marijuana, environmental protection, expenditures on property, plant and equipment, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. This list is not exhaustive and should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to elsewhere herein including, without limitation, under the heading “Risks and Uncertainties” and/or the financial statements, and include unanticipated and/or unusual events as well as actual results of planned programs and associated risk. Many of such factors are beyond Tidal’s ability to control or predict. Actual results may differ materially from those anticipated. Readers of this MD&A are cautioned not to put undue reliance on forward looking statements due to their inherent uncertainty. Forward-looking statements are made based upon management’s beliefs, estimates and opinions on the date the statements are made, which management believes are reasonable, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. These forward-looking statements should not be relied upon as representing management’s views as of any date subsequent to the date of this MD&A.

Additional information, including interim and annual financial statements, the management information circulars and other disclosure documents, may also be examined and/or obtained by accessing the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) website at [www.sedar.com](http://www.sedar.com).

**SCHEDULE “D”**

**Management Discussion & Analysis for the three months ended October 31, 2017**



**TIDAL ROYALTY CORP.**  
(formerly known as Tulloch Resources Ltd.)

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the quarter ended October 31, 2017

December 22, 2017

*This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the period ended October 31, 2017, compared to the period ended October 31, 2016. This report prepared as at December 22, 2017 intends to complement and supplement our interim condensed financial statements (the "financial statements") as at October 31, 2017 which have been prepared in accordance with International Financial Reporting Standards, and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards board ("IASB"). and should be read in conjunction with the financial statements and the accompanying notes. Readers are also advised to read the Company's audited financial statements and accompanying notes for the year ended July 31, 2017, (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards.*

*Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.*

*Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

*Where we say "we", "us", "our", or the "Company", we mean Tidal Royalty Corp. (formerly Tulloch Resources Ltd.)*

**Business Description**

The Company is an investment company with a focus on the legal cannabis industry in the United States. We anticipate making investments involving conventional equity, licensing, royalties, debt and other forms of investments in private and public companies, in the US legal cannabis related industry.

The Company intends to invest in all aspects of the legal cannabis industry, including production, distribution, and technologies (such as extraction and processing equipment), delivery services, packaging and security services.

The success and ultimate outcome of the Company's operations cannot presently be determined because they are contingent on future matters. See Risk Factors

The Company is a reporting issuer in the provinces of British Columbia and Ontario with plans to list on the Canadian Securities Exchange (CSE).

**Highlights and Overall Performance**

With our shareholders' consent (received September 5, 2017), the Company changed its business from mineral exploration to that of investment company. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies with a plan to focus its investments in the cannabis industry in the United States. While the Company has identified the legal cannabis industry to be of interest for investments, and while it is in discussions to make various acquisitions, it should be noted that (i) no contracts have been entered into, and (ii) as such there is no guarantee the Company will make any investments in cannabis related businesses, or, if made, that any such investments will be profitable. There can be no assurance that the Company will be successful in its ventures, or that it will meet the conditions for listing on the CSE. (See: Risk Factors). To execute this change in our business the Company has reorganized its management and added new directors to its board who have relevant investment experience.

## Significant Events

On July 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

## Results of Operations

The Company did not have any revenues from operations during the three-month period ended October 31, 2017 and the fiscal years ended July 31, 2017, July 31, 2016 and July 31, 2015. Please refer to the audited annual financial statements pertaining to those fiscal years for presentation of the significant operating costs.

During the three-month period ended October 31, 2017, the Company's net loss increased by \$49,164 from a net loss of \$913 for the three month period ended October 31, 2016 (\$0.00 per Share) to a net loss of \$50,077 (\$0.02 per Share) for the period ended October 31, 2017. The following is a breakdown of the expenses incurred by the Company in each three-month period ending October 31, 2017 and 2016:

Year Ended	October 31, 2017	October 31, 2016
Consulting Fees	28,935	-
General and Administration	1,562	913
Professional fees	14,110	-
Transfer agent and filing fees	11,470	-
Total	\$ 56,077	\$ 913

Most categories of expenses showed increases in 2017 compared with 2016, as the Company reorganized management and redirected its business. The increase in expenses relates to an increase in a activity associated with the Company's reorganization of management and related duties.

## Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed quarters.

Three Months Ended	Oct 31 2017 \$	Jul. 31 2017 \$	Apr 30 2017 \$	Jan 31 2017 \$	Oct 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan 31 2016 \$
Total revenues	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	(56,077)	(24,854)	(5,390)	(1,267)	(913)	(18,188)	(3,438)	(14,432)
Net loss per share – Basic and diluted	(0.02)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

During the three-month period ending October 31, 2017 the Company incurred a net loss of \$56,077 compared to a net loss of \$913 for the same period in the prior year. The increase in loss of \$55,164 is due to an increase in activity as can be reflected by the \$28,935 consulting fee in the quarter ending October 31, 2017. For the quarter ending July 31, 2017, the Company incurred a net loss of \$24,854, compared with a loss of \$18,188 in the three-month period ending July 31, 2016. Administration expenses made up the bulk of the expenses. The decreased loss for the year ending July 31, 2017 reflects lower expenses as management reduced expenses as the Company restructured management and implemented a new business plan.

## Liquidity

At October 31, 2017, the Company had cash of \$22,619 (July 31, 2017 - \$20,265) which management considers being insufficient to continue operations for the coming year. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its investment goals and service its obligations listed in the un-audited financial statements, the Company will need to raise additional capital. The Company expects to finance operating costs by public or private placement of common shares, exercise of warrants, exercise of options, debt financing, or loans from directors and companies controlled by directors. There is a risk that the Company will not be able to secure sufficient working capital to continue as a going concern because of an inability to obtain external financing or an inability to raise sufficient capital in order to meet its obligations as they become due.

## Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

## Working Capital

At the quarter ended October 31, 2017, the Company had negative working capital of \$191,734 (July 31, 2017 - \$135,657) which management considered insufficient to continue operations for the coming year. The Company will be seeking to raise further funds from, private placements financings, loans from directors in order to continue operations, and in particular to fund ongoing expenditure commitments as they arise. The Company also plans to finance through private and public offerings.

As at	October 31, 2017	July 31, 2017
Total Assets	\$ 24,915	\$ 22,334
Total Liabilities	216,649	157,991
Working Capital	(191,734)	(135,657)
Shareholder's Equity	(191,734)	(135,657)

## Cash Used in Operating Activities

Net cash used in operating activities during the three months ended October 31, 2017 was \$56,293 (2016 – 162) which mainly consisted of funds used in expenses during the quarter

## Cash Used in Investing Activities

The Company used nil cash in investing activities in the three-month periods ended October 31, 2017 and 2016.

## Cash Generated by Financing Activities

Total net cash generated during the three-month period ended October 31, 2017 was \$40,000 (2016 - \$Nil) by the issuance of loans payable and from related parties \$12,647 (2016 – \$ Nil).

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

## Transactions with Related Parties

### Key Management Personnel Compensation

For the three-month period ended	October 31, 2017	October 31, 2016
Consulting fee paid to companies owned by directors and officers	\$ 28,935	\$ Nil
Total	\$ 28,935	\$ Nil

As at October 31, 2017, the Company owed \$35,413 (July 31, 2017 - \$22,766) to related parties. These amounts comprised of \$10,000 (July 31, 2017 - \$10,000) loan made by a company controlled by a director and \$21,174 (July 31, 2017 - \$4,239) due to companies controlled by directors and \$4,239 (July 31, 2017 - \$8,527) due to an officer of the Company. The payable is unsecured, non-interest bearing and have no specific terms for repayment.

### Proposed Transaction

The Company is in the process of raising up to \$6,000,000, which might increase, in a non-brokered private placement by issuing up to 120 million units at \$0.05 per unit, with each unit comprising of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.05 per common share expiring two years from closing.

### Outstanding Share Data

At October 31, 2017 the Company had only common shares outstanding:

Securities	Number	Exercise Price	Expiry Date
Common shares	2,843,636	N/A	N/A
Fully diluted share capital	2,843,636	N/A	N/A

On July 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the shareholders approved the increase in the authorized share capital of the Company from 100,000,000 common shares to an unlimited number of common shares, without par value and created a new class for an unlimited number of preferred shares without par value.

### Risks Factors

#### Marijuana industry and operational risks

The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US with a plan to focus its investments in the cannabis industry in the United States. There are certain risks involved with such business activities, including:

- Cannabis is illegal under US federal law, but has been legalized by many US states
- the activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.
- third parties with which the Company does business, including banks and other financial entities, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- the Company has no operating history in this sector;

## **Risks Factors (Continued)**

### **Marijuana industry and operational risks (Continued)**

- the operation of the Company can be impacted by adverse changes and developments affecting the Company's interests;
- the Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- the Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- the Company has a history of net losses, may incur significant losses in the future and may not achieve or maintain profitability;
- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.
- there is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that the future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;
- the Company and other interests face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- the Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems of controls;
- the Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- the Company, its other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- the market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;

## **Risks Factors (Continued)**

### **Marijuana industry and operational risks (Continued)**

- there can be no assurance that an active liquid market for the shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited (“CDS”) may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company’s current operations and/or disqualify its ability to settle its securities with CDS.

### **Price Volatility of Public Stock**

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company’s shares will be subject to market trends generally and the value of the Company’s shares on a stock exchange may be affected by such volatility.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company’s financial viability as a result of increased financing costs and limited access to capital markets.

### **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management’s services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

### **Conflicts of Interest**

The Company’s directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act, British Columbia (“Corporations Act”) in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

### **Disclosure Regarding the Company’s Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry**

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

#### *Nature of Tidal’s Involvement in the U.S. Cannabis Industry*

Tidal intends to be indirectly involved (through investments in third-party entities in the United States – “Investees”) in the cannabis industry in those states of the United States where local and state law permits such activities. Currently, the Company is not directly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or recreational cannabis marketplace in the United States.

## **Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (Continued)**

### *Illegality under U.S. Federal Law*

Almost half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or recreational level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the "CSA") in the United States and as such, activities within the cannabis industry are illegal under U.S. Federal Law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis related businesses in the United States are subject to a higher degree of uncertainty and risk. Unless and until the US federal government amends the CSA with respect to cannabis, there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Issuer's business, revenues, operating results and financial condition as well as the Issuer's reputation, even if such proceedings were concluded successfully in favour of the Issuer.

There is also the risk that the Issuer's investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

### *U.S. Federal Enforcement Priorities*

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") acknowledging that although cannabis is a controlled substance at the federal level, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("DOJ") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, however, he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward. After taking office, Attorney General Jeff Sessions established a task force to study cannabis but so far, they have issued no final conclusions. As such, the enforcement of US federal laws with respect to cannabis remains uncertain and subject to change.

Tidal's investments in entities involved in the US cannabis industry will be made (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only in those entities that have fully complied with such state (and local) laws and regulations and have the licences, permits or authorizations to properly carry on each element of their business.

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

The Issuer has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Issuer expects to continue to rely almost exclusively on the capital markets to finance its investments in the US cannabis industry. Although such investments carry a higher degree of risk, and despite the illegal nature of cannabis under U.S. federal laws, Canadian based issuers involved in making U.S. cannabis based investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Issuer will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws.

## **Additional Disclosure for Junior Issuers**

### **Proposed Transactions**

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of the business.

### **Approval**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### **Forward-looking-information-advisory**

Statements included in this document that do not relate to present or historical conditions are "forward-looking statements". Forward-looking statements are projections in respect of future events or the Company's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intend", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", or "continue", or the negative of these terms or other comparable terminology. Forward-looking statements in this Listing Statement include statements with respect to: the ability of the Company to acquire BC wine for export; whether any wine acquired will be embraced by the purchasing public; expected future growth of the export market; the success of the concurrent financing, and statements regarding estimated capital requirements and use of proceeds. These statements are only predictions and involve known and unknown risks and uncertainties, including the risks in the section entitled "Risk Factors", and other factors which may cause the Company's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement

### **Forward Looking Information**

Certain statements in this document constitute "forward-looking statements" and are based on current expectations and involve risks and uncertainties, referred to above and or in Tidal's financial statements for the three months ended October 31, 2017 or year ended July 31, 2017, that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Future results will not be consistent with the Company's expectations, marijuana prices, demand for marijuana, currency exchange rates, political and operational risks inherent in farming or other business activities, legislative factors relating to prices, taxes, royalties, land use, title and permits, importing and exporting of marijuana, environmental protection, expenditures on property, plant and equipment, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. This list is not exhaustive and should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to elsewhere herein including, without limitation, under the heading "Risks and Uncertainties" and/or the financial statements, and include unanticipated and/or unusual events as well as actual results of planned programs



**Forward-looking-information-advisory** (Continued)

and associated risk. Many of such factors are beyond Tidal's ability to control or predict. Actual results may differ materially from those anticipated. Readers of this MD&A are cautioned not to put undue reliance on forward looking statements due to their inherent uncertainty. Forward-looking statements are made based upon management's beliefs, estimates and opinions on the date the statements are made, which management believes are reasonable, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. These forward-looking statements should not be relied upon as representing management's views as of any date subsequent to the date of this MD&A.

Additional information, including interim and annual financial statements, the management information circulars and other disclosure documents, may also be examined and/or obtained by accessing the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com).

**CERTIFICATE OF THE COMPANY**

Dated: March 22, 2018.

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of British Columbia, Alberta and Ontario.

*“Paul Rosen”*

PAUL ROSEN  
Chief Executive Officer

*“Theo Van der Linde”*

THEO VAN DER LINDE  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

*“Brendan Purdy”*

BRENDAN PURDY  
Director

*“Stuart Wooldridge”*

STUART WOOLDRIDGE  
Director