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

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

*The securities offered hereby 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 may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, possessions or the District of Columbia (the "**United States**"), or to a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act) (a "**U.S. Person**") unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to, or for the account or benefit of, any U.S. Person. See "Plan of Distribution".*

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the General Counsel of Planet 13 Holdings Inc., at 2548 West Desert Inn Road, Suite 100, Las Vegas, Nevada 89109, telephone (702) 206-1313, and are also available electronically at www.sedar.com.*

**PRELIMINARY SHORT FORM PROSPECTUS**

*New Issue* June 19, 2020

# PLANET 13 HOLDINGS INC.

## $10,019,000

## 4,660,000 Units

## Price: $2.15 per Unit

This preliminary short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of 4,660,000 units (the "**Units**") of Planet 13 Holdings Inc. (the "**Corporation**" or "**Planet 13**") at a price of $2.15 per Unit (the "**Offering Price**"). Each Unit consists of one common share ("**Common Share**") in the capital of the Corporation (each, a "**Unit Share**") and one-half of one common share purchase warrant of the Corporation (each whole common share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Common Share (each, a "**Warrant Share**") at an exercise price of $2.85 for a period of 24 months following the Closing Date (as defined herein). The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on or before the Closing Date between the Corporation and Odyssey Trust Company (the "**Warrant Agent**"), as warrant agent. See "*Description of Securities Being Distributed*".

The Units are being issued pursuant to an underwriting agreement dated June 19, 2020 (the "**Underwriting Agreement**"), among the Corporation and Beacon Securities Limited, as lead underwriter (the "**Lead Underwriter**"), and Canaccord Genuity Corp. (collectively, with the Lead Underwriter, the "**Underwriters**"). See "*Plan of Distribution*".

The Common Shares are listed and posted for trading on the Canadian Securities Exchange ("**CSE**") under the symbol "PLTH" and are quoted on the OTCQX Best Market (the "**OTCQX**") under the symbol "PLNHF". On June 12, 2020, the last trading day prior to the announcement of the Offering, the closing price per Common Share on the CSE was

$2.42 and on the OTCQX was US$1.79. On June 18, 2020, the last trading day prior to the date of this Prospectus, the closing price per Common Share on the CSE was $2.42 and on the OTCQX was US$1.7852.

The Corporation has given notice to the CSE to list the Unit Shares, the Warrants, the Warrant Shares and the Compensation Option Shares (as defined below) on the CSE. Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell such Warrants purchased under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See "*Risk Factors*".**

| | Price to the Public[1] | Underwriters' Fee[2] | Net Proceeds to the Corporation[3][4] |
|---|---|---|---|
| Per Unit | $2.15 | $0.129 | $2.021 |
| Total | $10,019,000 | $601,140 | $9,417,860 |

(1) The Offering Price was determined by arm's length negotiation between the Corporation and the Lead Underwriter, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares.

(2) The Corporation has agreed to pay the Underwriters a cash fee (the "**Underwriters' Fee**") equal to 6% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option (as defined herein)). In addition, the Underwriters will be issued non-transferable compensation options (the "**Compensation Options**") entitling the Underwriters to purchase that number of Common Shares (the "**Compensation Option Shares**") equal to 6% of the number of Units sold pursuant to the Offering (including any additional Units sold pursuant to the Over-Allotment Option). Each Compensation Option shall entitle the Underwriters to acquire one Compensation Option Share at a price of $2.15, subject to customary adjustment, for a period of 24 months following the Closing Date. See "*Plan of Distribution*".

(3) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering (estimated to be approximately $500,000), which together with the Underwriters' Fee, will be paid from the gross proceeds of the Offering, the net proceeds to the Corporation will be $9,417,860 (prior to giving effect to the exercise of the Over-Allotment Option (as defined herein)).

(4) The Underwriters have been granted an over-allotment option, exercisable, in whole or in part, at any time, and from time to time, on or before the 30th day following the Closing Date (the "**Over-Allotment Deadline**"), to purchase up to an additional 699,000 Units (the "**Over-Allotment Units**") at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes (the "**Over-Allotment Option**"). The Over-Allotment Option may be exercised by the Underwriters to acquire: (i) up to 699,000 Over-Allotment Units at the Offering Price; (ii) up to 699,000 additional Unit Shares (the "**Over-Allotment Shares**") at a price of $2.07 per Over-Allotment Share (the "**Over-Allotment Share Price**"); (iii) up to 349,500 additional Warrants (the "**Over-Allotment Warrants**") at a price of $0.16 (being $0.08 per each half Over-Allotment Warrant) per Over-Allotment Warrant (the "**Over-Allotment Warrant Price**"); or (iv) any combination of Over-Allotment Units at the Offering Price, Over-Allotment Shares at the Over-Allotment Share Price and Over-Allotment Warrants at the Over-Allotment Warrant Price, provided that the aggregate number of Over-Allotment Shares that may be issued under such Over-Allotment Option does not exceed 699,000 and the aggregate number of Over-Allotment Warrants that may be issued under such Over-Allotment Option does not exceed 349,500. The Over-Allotment Option is exercisable by the Lead Underwriter giving notice to the Corporation prior to the Over-Allotment Deadline, which notice shall specify the number of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants to be purchased. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Corporation" (before deducting expenses of the Offering) will be $11,521,850, $691,311 and $10,830,539, respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

The following table sets out the maximum number of securities under options issuable to the Underwriters in connection with the Offering (assuming the Over-Allotment Option is exercised in full):

| Underwriters' Position | Maximum Number of Securities Available | Exercise Period | Exercise Price |
|---|---|---|---|
| Over-Allotment Option[1] | 699,000 Over-Allotment Units | For a period of 30 days from and including the Closing Date | $2.15 per Over-Allotment Unit<br>$2.07 per Over-Allotment Share<br>$0.16 per Over-Allotment Warrant |
| Compensation Options[2] | 321,540 Compensation Option Shares | For a period of 24 months from the Closing Date | $2.15 per Compensation Option Share |

(1) This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. See "*Plan of Distribution*".
(2) This Prospectus qualifies the grant of the Compensation Options. See "*Plan of Distribution*".

Unless the context otherwise requires, when used herein, all references to the "Offering" include the exercise of the Over-Allotment Option, all references to "Units" include the Over-Allotment Units issuable upon exercise of the Over-Allotment Option, all references to "Unit Shares" include the Over-Allotment Shares issuable upon exercise of the Over-Allotment Option, all references to "Warrants" include the Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option, and all references to "Warrant Shares" include the Common Shares issuable upon exercise of the Over-Allotment Warrants.

**Investing in the Units is speculative and involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. A prospective purchaser should therefore review this Prospectus and the documents incorporated by reference herein in their entirety and carefully consider the risk factors described under the section "Risk Factors" in this Prospectus and in the AIF (as defined herein) which is available under the Corporation's issuer profile on SEDAR at www.sedar.com, prior to investing in the Units. See "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*".**

**Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Units, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Units**.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", subject to the approval of certain legal matters on behalf of the Corporation by Wildeboer Dellelce LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP.

Subscriptions for the Units will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about July 3, 2020, or such other date as may be agreed upon by the Corporation and the Underwriters, but in any event not later than 42 days after the date of the receipt for the (final) short form prospectus (the "**Closing Date**"). In connection with the Offering, and subject to applicable laws, the Underwriters may over-allot or effect transactions that are intended to stabilize or maintain the market price of the Common Shares at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Units at a lower price than stated above. See "*Plan of Distribution*"**.

It is anticipated that the Unit Shares and Warrants comprising the Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited in electronic form, or will otherwise be delivered to the Underwriters registered as directed by the Underwriters, on the Closing Date. Except in limited circumstances, a purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Unit Shares and Warrants on behalf of owners who have purchased Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required. See "*Plan of Distribution*".

The Corporation has two classes of issued and outstanding shares: (i) Common Shares; and (ii) convertible, class A restricted voting shares (the "**Restricted Voting Shares**"). The restrictions on conversion of the Restricted Voting Shares are designed to prevent the Corporation from becoming a "domestic issuer" ("**Domestic Issuer**") as defined under Rule 902(e) of Regulation S pursuant to the U.S. Securities Act of 1933. Generally, the Corporation will be a Domestic Issuer if: (A) 50% or more of the holders of Common Shares are U.S. Persons (as defined under the U.S. Securities Act); and either (B) (i) the majority of the executive officers or directors of the Corporation are United States citizens or residents; (ii) the Corporation has 50% or more of its assets located in the United States; or (iii) the business of the Corporation is principally administered in the United States. As there are no restrictions on issue or transfer of the Common Shares, there is no guarantee that the Corporation will not become a Domestic Issuer in the future. Unlike the Common Shares, the Restricted Voting Shares will not entitle the holder to exercise voting rights in respect of the election or removal of directors of the Corporation. See "*The Corporation – Description of the Share Capital of the Corporation*" for further details.

Robert Groesbeck and Larry Scheffler, each an executive officer, director and promoter of the Corporation, and Michael Harman and Adrienne O'Neal, each a director of the Corporation, reside outside of Canada and has each appointed Wildeboer Dellelce LLP, Wildeboer Dellelce Place, Suite 800, 365 Bay Street, Toronto, Ontario M5H 2V1 as his or her, as applicable, agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

The Corporation's head office is located at 2548 West Desert Inn Road, Las Vegas, Nevada, 89109 and registered office is located at 10th Floor, 595 Howe St., Vancouver, BC V6C 2T5.

**This Prospectus qualifies the distribution of securities of an entity that currently derives, directly and indirectly, a substantial portion of its revenues from the cannabis industry in the State of Nevada, which industry is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. The Corporation is directly involved (through its wholly-owned and licensed Nevada subsidiary MM Development Company, Inc. ("MMDC")) in the cannabis industry in the United States where local state laws permit such activities. Currently, MMDC is directly engaged in the cultivation, manufacture, possession, use, sale or distribution of cannabis in the recreational and medicinal cannabis marketplaces in the State of Nevada. Third party service providers could suspend or withdraw services as a result of the Corporation operating in an industry that is illegal under U.S. federal law.**

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

**In the United States, cannabis is largely regulated at the state level. State laws that permit and regulate the production, distribution, sale and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA, which makes cannabis cultivation, production of cannabis derived products, distribution, sale and use and possession illegal under U.S. federal law. Although certain states authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.**

**On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memo (as defined in the AIF). With the Cole Memo rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the Department of Justice pursues prosecutions, then the Corporation could face: (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis; or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life. On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, William Barr was sworn in as United States Attorney General. During his confirmation hearing on January 15, 2019, Mr. Barr pledged not to pursue marijuana companies that comply with state law. This pledge was made in writing, when responding to written questions from Senators: "As discussed in my hearing, I do not intend to go after parties who have complied with the state law in reliance on the Cole Memorandum". Moreover, in January of 2019, Attorney General William Barr, in a series of written responses to the Senate Judiciary Committee as a follow up to his confirmation hearing, stated his preference is that the "legislative process, rather than administrative guidance, is ultimately the right way to resolve whether and how to legalize marijuana." Attorney General**

**William Barr's statements are not official declarations of the U.S. Department of Justice ("DOJ") policy, are not binding on the DOJ, on any U.S. Attorney, or on the federal courts. Attorney General William Barr may clarify, retract, or contradict these statements.**

**Despite the current state of the federal law and the CSA, the States of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado, Vermont, Michigan, Illinois and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Maine has not yet begun recreational cannabis commercial operations. In early 2018, Vermont became the first state to legalize recreational cannabis by passage in a state legislature, but does not allow commercial sales of recreational cannabis. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers. In addition, more than half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, and some of those states have only legalized and currently regulate the sale and use of medical cannabis with strict limits on the levels of Tetrahydrocannabinol (THC).**

**There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use 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 U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected.**

**Since 2014, the United States Congress has passed appropriations bills which included provisions 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 "Rohrabacher-Leahy Amendment" but also referred to as the Joyce/Leahy Amendment, Leahy Amendment, Rohrabacher-Farr Amendment or the Rohrabacher-Blumenauer Amendment). On December 20, 2019, the 2020 Fiscal Year omnibus spending bill, which included the Rohrabacher-Leahy Amendment, was signed into law extending its application until the end of the 2020 fiscal year on September 30, 2020. There can be no assurances that the Rohrabacher-Leahy Amendment will be included in future appropriations bills.**

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

**The Corporation holds assets, leases, real estate holdings, and serves its customers and patients from its cannabis facility located in Las Vegas. The Corporation's dispensary is approximately 40,000 square feet and is in full compliance with Nevada Revised Statutes 453A and 453D, and the regulations thereunder, which outline the State of Nevada's rules and regulations for establishing and managing medical and retail cannabis dispensaries. The Corporation currently produces the majority of its cannabis product and its primary cultivation facility in Las Vegas which is approximately 16,000 square feet of total tenant occupied space (with 9,200 square feet utilized specifically for cultivation activities). The foregoing assets are held by the Corporation (directly or through MMDC) and the Corporation is directly involved in the cultivation and distribution of medical and adult use cannabis for the purposes of Staff Notice 51-352. As of March 31, 2020, all of the Corporation's assets and operations are currently related to U.S. marijuana related activities.**

**The Corporation'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 significant risks associated with the business of the Corporation. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law, and the Corporation could face charges related to producing, cultivating, extracting, or dispensing cannabis, including aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.**

**For these reasons, the Corporation's operations in the United States cannabis market may subject the Corporation to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian and U.S. authorities. There are a number of risks associated with the business of the Corporation. See the sections entitled "*Risk Factors*" in this Prospectus and in the AIF".**

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## GENERAL MATTERS

An investor should rely only on the information contained in this Prospectus (including the documents incorporated by reference herein) and is not entitled to rely on parts of the information contained in this Prospectus (including the documents incorporated by reference herein) to the exclusion of others. The Corporation and the Underwriters have not authorized anyone to provide investors with additional or different information. The Corporation and the Underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide prospective purchasers. Information contained on, or otherwise accessed through, the Corporation's website shall not be deemed to be a part of this Prospectus and such information is not incorporated by reference, despite any references to such information in this Prospectus or the documents incorporated by reference herein, and prospective purchasers should not rely on such information when deciding whether or not to invest in the Units. Other than this Prospectus in electronic format, the information on the Underwriters' website and any information contained in any other website maintained by the Underwriters or their affiliates is not part of this Prospectus, has not been approved and/or endorsed by the Corporation or the Underwriters and should not be relied upon by prospective purchasers.

The Corporation and the Underwriters are not offering to sell the Units in any jurisdictions where the offer or sale of the Units is not permitted. The information contained in this Prospectus (including the documents incorporated by reference herein) is accurate only as of the date of this Prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this Prospectus or any sale of the Units. The business, financial condition, results of operations and prospects of the Corporation may have changed since those dates. The Corporation does not undertake to update the information contained or incorporated by reference herein, except as required by applicable Canadian securities laws.

This Prospectus shall not be used by anyone for any purpose other than in connection with the Offering.

The documents incorporated or deemed to be incorporated by reference herein contain meaningful and material information relating to the Corporation and prospective purchasers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

## MEANING OF CERTAIN REFERENCES AND CURRENCY PRESENTATION

References to dollars or "$" are to Canadian currency unless otherwise indicated. All references to "US$" refer to United States dollars. On June 18, 2020, the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US$1.00 = $1.3589.

Unless the context otherwise requires, all references in this Prospectus to the "Corporation" refer to the Corporation and its subsidiary entities on a consolidated basis.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained or incorporated by reference in this Prospectus is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although the Corporation and the Underwriters believe these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. Neither the Corporation nor the Underwriters have independently verified any of the data from third party sources referred to or incorporated by reference herein and accordingly, the accuracy and completeness of such data is not guaranteed.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated herein by reference, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this Prospectus that addresses activities, events or developments that the Corporation expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: statements relating to the business and future activities of, and developments

related to, the Corporation after the date of this Prospectus, including such things as the actual impact of the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19 and its impact on our personnel, business, operations and financial condition, the future business strategy, competitive strengths, goals, expansion and growth of the Corporation's business, operations and plans, including the successful completion of the Corporation's phase II expansion of its Planet 13 Superstore (as defined herein) in Las Vegas, Nevada, new revenue streams, the completion by the Corporation of contemplated acquisitions of additional real estate, cultivation and licensing assets, the roll out of new dispensaries, the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional U.S. markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the United States and the states in which the Corporation operates or contemplates future operations; expectations for other economic, business, regulatory and/or competitive factors related to the Corporation or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Corporation at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Such factors include, among others, risks related to the completion of the Offering; risks relating to the Corporation's discretion in the use of proceeds of the Offering; risks related to the need for additional financing; risks relating to there being no current market for the Warrants; risks related to the volatile market price of the Common Shares; risks relating to dilution; risks related to the COVID-19 pandemic; U.S. regulatory landscape and enforcement relating to cannabis, including political risks; risks related to entry bans into the United States; risks relating to uncertainty surrounding the Trump Administration and the United States Attorney General and their influence and policies in opposition to the cannabis industry as a whole; risk of operations in the United States cannabis market becoming the subject of heightened scrutiny; risks relating to financing activities including leverage; risks relating to tax liabilities; risks related to contracts with third party service providers; constraints on marketing products; risks relating to anti-money laundering laws and regulation; risks related to proprietary intellectual property and potential infringement by third parties; risks related to the enforceability of contracts; risks inherent in an agricultural business; risks related to public opinion and perception of the cannabis industry; the limited operating history of the Corporation; risks relating to research and market development; reliance of management; increasing competition in the industry; reliance on the expertise and judgment of senior management of the Corporation; risks relating to operation permits and authorizations; risk of litigation; risks associated to cannabis products manufactured, processed and distributed for human consumption including potential product liability claims; risks related to the Corporation's reliance on key inputs; risks related to future acquisitions; risks relating to the enactment of new legislation in the State of Nevada; risks associated with Nevada's updated regulatory framework; other governmental and environmental regulation; risks relating to the concentrated voting control of the Corporation and the unpredictability caused by the existing capital structure; risks related to MMDC as a result of the Corporation being a holding company of such entity; conflicts of interest; risks relating to leased real property; tax and insurance related risks; and other factors beyond the Corporation's control, as well as those risk factors discussed elsewhere herein and in the documents incorporated by reference herein.

Prospective purchasers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, prospective purchasers should not place undue reliance on forward-looking information and statements, including the documents incorporated herein by reference, as statements containing forward-looking information involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking information and statements contained herein are presented for the purposes of assisting prospective purchasers in understanding the Corporation's expected financial and operating performance and the Corporation's plans and objectives and may not be appropriate for other purposes.

The forward-looking information and statements contained in this Prospectus, including the documents incorporated herein by reference, represent the Corporation's views and expectations as of the date of this Prospectus and forward-

looking information and statements contained herein represent the Corporation's views as of the date of hereof. The Corporation anticipates that subsequent events and developments may cause its views to change. However, while the Corporation may elect to update such forward-looking information and statements at a future time, it has no current intention of doing so except to the extent required by applicable law.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Wildeboer Dellelce LLP, counsel to the Corporation, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder, in force as of the date hereof, the Unit Shares, Warrants, and Warrant Shares, if issued on the date hereof, would be qualified investments for trusts governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, tax-free savings account (collectively, "**Registered Plans**") or a deferred profit sharing plan ("**DPSP**"), provided that:

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

(ii) in the case of the Warrants, the Warrants are listed on a designated stock exchange or the Warrant Shares are qualified investments as described in (i) above and the Corporation is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Registered Plan or DPSP.

Notwithstanding the foregoing, the holder of, or annuitant or subscriber under, a Registered Plan (the "**Controlling Individual**") will be subject to a penalty tax in respect of Unit Shares, Warrant Shares or Warrants held in the Registered Plan if such securities are a prohibited investment for the particular Registered Plan. A Unit Share, Warrant Share or Warrant generally will be a "prohibited investment" for a Registered Plan if the Controlling Individual does not deal at arm's length with the Corporation for the purposes of the Tax Act or the Controlling Individual has a "significant interest" (as defined in subsection 207.01(4) of the Tax Act) in the Corporation. In addition, the Unit Shares and Warrant Shares will generally not be a "prohibited investment" if such securities are "excluded property" (as defined in the Tax Act) for a Registered Plan.

**Persons who intend to hold Unit Shares, Warrants or Warrant Shares in a Registered Plan or DPSP, should consult their own tax advisors in regard to the application of these rules in their particular circumstances**.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the General Counsel of the Corporation, 2548 West Desert Inn Road, Las Vegas, Nevada, 89109, and are also available electronically at www.sedar.com.

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

1. the annual information form of the Corporation dated April 13, 2020, in respect of the fiscal year ended December 31, 2019 (the "**AIF**");
2. the audited annual consolidated financial statements of the Corporation and the notes thereto as at and for the fiscal year ended December 31, 2019 and 2018, together with the auditors' report thereon (the "**2019 Financials**");
3. the management's discussion and analysis of the Corporation for the three months and year ended December 31, 2019;
4. the unaudited condensed interim consolidated financial statements of the Corporation as at, and for the three month period ended March 31, 2020 and 2019, together with the notes thereto (the "**Interim Financial Statements**");
5. the management's discussion and analysis of the Corporation for the three month period ended March 31, 2020 (the "**Interim MD&A**");

6. the management information circular of the Corporation dated May 20, 2020 prepared in connection with the annual meeting of shareholders of the Corporation to be held on June 24, 2020;

7. the material change report of the Corporation dated June 1, 2020 announcing the completion of the Santa Ana Acquisition (as defined herein);

8. a template version of the term sheet in respect of the Offering dated June 15, 2020 (the "**Marketing Materials**"); and

9. the material change report of the Corporation dated June 19, 2020 in respect of the Offering.

**Any document of the types (i) referred to in the preceding paragraphs (1) through (9), or (ii) described in section 11.1 of Form 44-101F1 – *Short Form Prospectus,* filed by the Corporation with the securities regulatory authorities in each of the provinces of Canada, after the date of this Prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference in and form an integral part of this Prospectus. The documents incorporated or deemed to be incorporated by reference in this Prospectus contain meaningful and material information relating to the Corporation, and prospective investors should review all information contained in this Prospectus and the documents incorporated by reference in this Prospectus before making an investment decision.**

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

## MARKETING MATERIALS

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

## THE CORPORATION

### Corporate Structure

The Corporation was incorporated under the *Canada Business Corporations Act* ("**CBCA**") on April 26, 2002 under the name "High Income Preferred Shares Corporation." On October 18, 2010, Wombat Investment Trust acquired control of the Corporation and on January 1, 2011, the Corporation changed its name to "Carpincho Capital Corp."

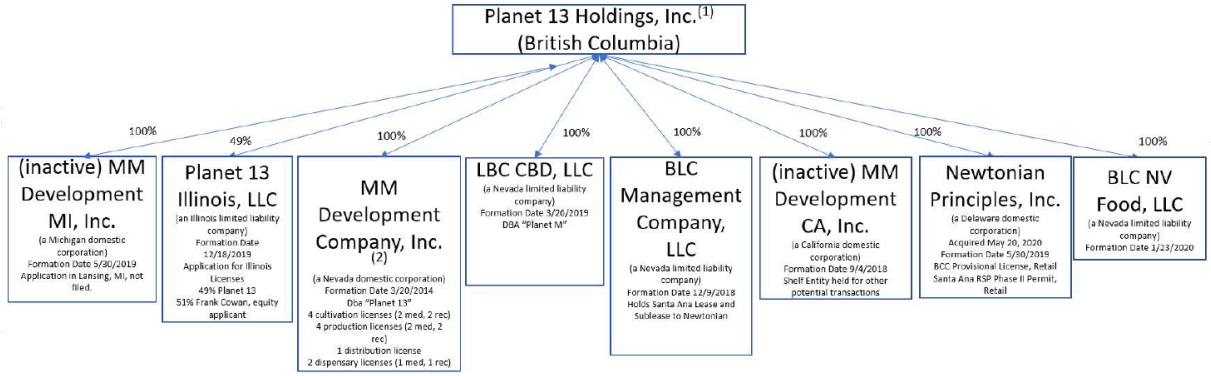
On April 26, 2018, the Corporation entered into: (i) a definitive share exchange agreement (the "**Share Exchange Agreement**") with MMDC and its shareholders, providing for the acquisition (the "**Acquisition**") of all of the outstanding shares of MMDC by the Corporation in exchange for an equal number of Common Shares, on a post-Consolidation (as defined below) basis; and (ii) a definitive agreement (the "**Definitive Agreement**") with 10653918 Canada Inc. ("**Finco**"), a special purpose vehicle incorporated on February 27, 2018, and 10713791 Canada Inc. ("**Subco**"), a wholly-owned subsidiary of the Corporation, providing for the amalgamation of Subco and Finco (the "**Amalgamation**") to be completed following the completion of the Acquisition (the Acquisition and the Amalgamation, together the "**Business Combination**").

On June 11, 2018, the Corporation completed the Business Combination and filed Articles of Amendment to effect: (i) a consolidation of its share capital on a 0.875 (new) for one (1) old basis (the "**Consolidation**"); (ii) a name change from "Carpincho Capital Corp." to "Planet 13 Holdings Inc."; and (iii) the creation of a new class of convertible shares, the Restricted Voting Shares. The Restricted Voting Shares are convertible into Common Shares at the option of the holder or the Corporation on a share-for-share basis. Holders of Restricted Voting Shares are not entitled to vote on the election or removal of directors of the Corporation. The Common Shares are listed for trading on the CSE under the symbol "PLTH" and quoted on the OTCQX under the symbol "PLNHF".

On June 26, 2019, the Corporation continued out of the jurisdiction of Canada under the CBCA into the jurisdiction of the Province of British Columbia under the *Business Corporations Act* (British Columbia) ("**BCBCA**"). On August 12, 2019, the Corporation's wholly owned subsidiary Finco was continued out of the jurisdiction of Canada under the CBCA into the jurisdiction of the Province of British Columbia under the BCBCA and on September 24, 2019, the Corporation completed a short-form vertical amalgamation with Finco (the "**Short Form Amalgamation**"). The Short Form Amalgamation was undertaken to simplify the Corporation's corporate structure and to obtain certain administrative and financial reporting efficiencies. No securities were issued in connection with the Short Form Amalgamation.

The registered office of the Corporation is located at 10th Floor, 595 Howe St., Vancouver, BC V6C 2T5, and the head office of the Corporation is located at 2548 West Desert Inn Road, Suite 100, Las Vegas, Nevada 89109.

The following diagram presents the inter-corporate relationships among the Corporation and its subsidiaries as at the date hereof. MM Development Company, Inc. ("**MMDC**") owns the four current licenses for cultivation (two medical licenses and two recreational licenses), four licenses for production (two medical licenses and two recreational licenses), two dispensary licenses (one medical license and one recreational license) and one license to distribute in Nevada.




**Notes:**

(1) For a list of the current directors and executive officers of the Corporation, see "*Directors and Officers*".

(2) The Board of Directors of MM Development Company, Inc. consists of Robert Groesbeck, Larry Scheffler (the Co-Chief Executive Officers, Co-Chairmen and each a director and promoter of the Corporation), Leighton Koehler (General Counsel of the Corporation), William Vargas (Vice-President of Finance of the Corporation) and Adrienne O'Neal (a director of the Corporation).

## Description of the Share Capital of the Corporation

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Restricted Voting Shares. As at the date of this Prospectus, 92,416,944 Common Shares and 59,173,872 Restricted Voting Shares were issued and outstanding.

Common Shares

Holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Corporation (the "**Board**"), to one vote per share at meetings of shareholders of the Corporation and, upon dissolution, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares.

Restricted Voting Shares

Holders of Restricted Voting Shares: (i) have equal ratable rights among themselves and the holders of the Common Shares to dividends from funds legally available therefor, when, as, and if declared by the board of directors of the Corporation; (ii) are entitled to share ratably with the holders of Common Shares in all of the Corporation's assets that are available for distribution upon liquidation, dissolution, or winding up of the Corporation's affairs, subject to any liquidation preferences in favour of other issued and outstanding classes of shares; (iii) do not have pre-emptive or subscription rights, and there are no redemption or sinking-fund provisions applicable thereto; (iv) are entitled to receive notice of and to attend any meeting of shareholders of the Corporation and to exercise one vote for each Restricted Voting Share held at all meetings of the shareholders of the Corporation, other than with respect to the vote for the election or removal of directors of the Corporation and at meetings at which only the holders or another class or series of shares are entitled to vote separately as a class or series; and (v) are able to convert each issued and outstanding Restricted Voting Share into one Common Share (subject to customary adjustments) provided that the Corporation is not a Domestic Issuer or the conversion would not cause the Corporation to become a Domestic Issuer. In addition, no Restricted Voting Shares shall be transferred by any holder thereof pursuant to an Exclusionary Offer (as defined herein) unless concurrently with such an offer, an offer to acquire Common Shares is made that is identical to the Exclusionary Offer in terms of price per share, percentage of outstanding shares to be taken up (excluding those held by the offeror) and in all other material respects. For these purposes, an "Exclusionary Offer" means an offer to purchase Restricted Voting Shares which must be made by reason of applicable securities legislation or the rules and regulations, by-laws or policies of a stock exchange of which the Common Shares are listed to all or substantially all of the holders of the Restricted Voting Shares.

**Summary Description of the Business**

Recent Developments/History

*COVID-19 Pandemic*

In March 2020, per executive order of Nevada's Governor Steve Sisolak in response to the public health crisis arising from the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19, all Nevada dispensaries were mandated as an essential service but were restricted to delivery only, with no curb-side pickup or in-store sales permitted until such order was lifted. As of the date of this Prospectus, MMDC has a fleet of 29 delivery vehicles, and is quickly increasing ability to meet customer demand. The Corporation does not yet know the duration or magnitude of the COVID-19 crisis but will continue to operate its core business of dispensing marijuana to adult-use and medical customers.

As of May 30**,** 2020, the Planet 13 Superstore re-opened with no more than 10 customers allowed in the store at any given time. On June 4, 2020, the State of Nevada increased the allowed occupancy of all businesses in Nevada to a maximum of 50% of the fire rated capacity of the location. The Corporation is currently adhering to the guidelines set by the State of Nevada and is able to serve 268 customers in the store at one time under the revised capacity limits set out as of June 4, 2020.

Although the ultimate severity of the COVID-19 outbreak is uncertain at this time, the pandemic may have adverse impacts on the Corporation's financial condition and results of operations, including, but not limited to:

- The Corporation may experience significant reductions or volatility in demand for its products as customers may not be able to purchase merchandise at the Planet 13 Superstore due to illness, quarantine or government or self imposed restrictions placed on our store's operations. Social distancing measures or changes in consumer spending behaviours due to COVID-19 may impact traffic in the Planet 13 Superstore and such actions could result in a loss of sales and profit.

- The Corporation may experience temporary or long-term disruptions in its supply chain. While the outbreak has impacted manufacturing and distribution throughout the world, the Corporation has not currently experienced any material impact in its supply chain. Transportation delays and cost increases, closures or disruptions of businesses and facilities or social, economic, political or labour instability, may impact the Corporation or its suppliers' operations and/or its customers.

- The Corporation's liquidity may be negatively impacted if sales at the Planet 13 Superstore are significantly reduced and the Corporation may be required to pursue additional sources of financing to meet its financial obligations. Obtaining such financing is not guaranteed and is largely dependent upon market conditions and other factors. Further actions may be required to improve the Corporation's cash position, including but not limited to, monetizing the Corporation's assets and foregoing capital expenditures and other discretionary expenses.

The extent of the impact of COVID-19 on the Corporation's operations and financial results depends on future developments and is highly uncertain due to the unknown duration and severity of the outbreak. The situation is changing rapidly and future impacts may materialize that are not yet known.

*Santa Ana Acquisition*

On May 20, 2020, the Corporation acquired (the "**Santa Ana Acquisition**") all of the issued and outstanding common stock (the "**Newtonian Shares**") of Newtonian Principles, Inc. ("**Newtonian**"), resulting in the Corporation acquiring a provisional cannabis retail license, adult use issued by the State of California Bureau of Cannabis Control (the "**California License**") and a regulatory safety permit issued by the City of Santa Ana (the "**Santa Ana Permit**"), which were both held by Newtonian, and a 30-year lease for a dispensary in Santa Ana, California (the "**Santa Ana Premise**") along with certain other assets (collectively, the "**Warner Assets**") from Warner Management Group, LLC ("**Warner**"). Newtonian had no operations at the time of the Santa Ana Acquisition. The Corporation issued 3,940,932 Restricted Voting Shares (the "**Consideration Shares**"), representing an agreed value of US$4,000,000, to certain vendors in consideration for the Newtonian Shares, and paid Warner US$1,000,000 in cash and cancelled an interim buildout loan to Warner in consideration for the Warner Assets.

The Consideration Shares are subject to a four-month and one day hold period under Canadian securities laws and following such period will continue to be subject to a lock-up whereby 1/8$^{th}$ of the Consideration Shares will be released from lock-up each month beginning on September 22, 2020.

As of the date of this Prospectus, although it holds the California License and the Santa Ana Permit, the Corporation conducts no operations in the State of California The Corporation will commence retail sales operations at the Santa Ana Premises upon completion of its planned facility build-out and expansion within the Santa Ana Premise. Until such time, the Corporation intends to continue to hold the California License and the Santa Ana Permit and submit applications for renewals of such license and permit as required.

Overview of the Corporation's Cannabis Business

*Introduction*

On November 1, 2018, the Corporation opened a new dispensary centrally-located and within close proximity of the Las Vegas strip corridor, less than 500 feet from the Trump Tower and less than 2,500 feet from the Wynn hotel referred to as the "Planet 13 Superstore" (the "**Planet 13 Superstore**"). MMDC entered into an arm's length agreement to lease a 100,000 square foot building to house its Planet 13 Superstore dispensary and corporate office space in a Phase I build-out of the location. In October 2019, the Corporation opened a 4,500-square-foot coffee shop and pizzeria in the Planet 13 Superstore. Future plans including the opening of a possible consumption lounge and partnering with other entities who have expressed an interest in locating production facilities at the Planet 13 Superstore location (including a chocolatier, as an example). The Planet 13 Superstore lease has a seven-year term with two seven-year renewal options and the Corporation has a right-of-first-refusal on any sale of the building. Prior to the opening of the Planet 13 Superstore, the Corporation sold both medical and recreational products from its then existing facilities. On April 1, 2019, the Corporation entered into a lease and sub-license agreement for an additional 4.17 acres of land directly adjacent to the Planet 13 Superstore for additional parking, with final approvals anticipated to be received from the Nevada Department of Transportation who owns the land. The term of the April 1, 2019 lease

and sub-license runs concurrent with the Planet 13 Superstore lease. See "*Summary Description of the Business – Leases*".

The Corporation may in the future build a 100,000 square foot greenhouse for cultivation and an approximately 43,000 square foot processing/production facility located in Beatty, Nevada, approximately 120 miles north-west of Las Vegas, that will comprise up to three million square feet of greenhouse space for the cultivation of cannabis. The site, which is owned by the Corporation, has been permitted and is ready for construction to begin. The Corporation is evaluating the timing of construction based on an anticipated excess of supply of wholesale cannabis product coming to market in 2020 and 2021. The Corporation expects to revisit its expansion plans for the Beatty facility once the wholesale market in Nevada stabilizes.

*Cultivation*

The Corporation, through MMDC, cultivates its cannabis products at: (i) a 15,000 square foot leased facility with a perpetual harvest cycle located in Las Vegas (Clark County), which is currently being expanded an additional 1,100 square feet; and (ii) a 500 square foot leased facility in Nye County where the Corporation conducts product research and development and genetics testing. The owner of each facility deals at arm's length with the Corporation.

*Production*

As of October 2019, the Corporation produces its cannabis products in a 15,000 square foot leased facility in Las Vegas (Clark County) co-located at the Planet 13 Superstore dispensary, as well as a facility in Nye County owned by Planet 13. From prior to opening the 15,000 square foot facility and up to the end of October 2019, the Corporation produced its cannabis products at a separate 4,750 square foot facility leased in Las Vegas (Clark County). The owner of the Clark County facility deals at arm's length with the Corporation.

*Dispensing*

The Corporation also has two Nevada dispensary licenses, one for medical that operates under the Medizin brand and the second for the sale of recreational product. The licenses are co-located in the Planet 13 Superstore, an approximately 16,000 square feet of retail space open 24 hours/day, 7 days per week and located adjacent to the Las Vegas Strip. Prior to November 1, 2018, the licenses operated out of a 2,300 square foot facility which licenses were then transferred to the Planet 13 Superstore location upon its opening on such date. The Planet 13 Superstore has the capacity to serve between 2,000 to 3,000 customers per day through its new, enhanced dispensary. It is the Corporation's plan to build out the balance of the Planet 13 Superstore location with ancillary services such as a potential cannabis lounge in a segregated area of the facility where patrons will be able to consume products that have been purchased at the dispensary. Lounge facility build-out and operation are pending state and county legislation and subsequent licensing of the facility. The Planet 13 Superstore also houses the Corporation's corporate offices. To the extent that the Corporation is able to obtain additional dispensary licenses, the Corporation plans to operate additional licensed dispensaries, which includes reopening the Medizin dispensary that was closed when the licenses were transferred to the Planet 13 Superstore.

As of March 2020, per executive order of Nevada's Governor Steve Sisolak in response to the public health crisis arising from the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19, all Nevada dispensaries were mandated as an essential service but were restricted to delivery only, with no curb-side pickup or in-store sales permitted until such order was lifted. As of April 13, 2020, MMDC had a fleet of 29 delivery vehicles, and was quickly increasing ability to meet customer demand. The Corporation does not yet know the duration or magnitude of the COVID-19 crisis but will continue to operate its core business of dispensing marijuana to adult-use and medical customers.

As of May 30**,** 2020, the Planet 13 Superstore re-opened and, as of June 4, 2020, is adhering to the guidelines set by the State of Nevada which restrict the maximum number of people in dispensaries to 50% of the fire rated occupancy. As a result, the Planet 13 Superstore and is permitted to have 268 customers on the dispensary floor at any given time.

*Objectives*

The Corporation's central objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. The Corporation's vision is to establish a leading foothold in several distinct parts of the value chain of the North American medical cannabis and recreational cannabis industries, beginning in the State of Nevada, and then replicating its model in other jurisdictions where permitted by law or regulation.

The Corporation considers itself to be well positioned to take advantage of growth in the cannabis industry in the United States with its multi-faceted strategy and entrepreneurial management team. The Corporation is aware that the legal cannabis industry is in its infancy and is rapidly evolving which presents risks in addition to opportunities. There is no certainty that the Corporation will not be adversely affected by changes in government regulation and other factors in the future. The Corporation aims to mitigate these risks by closely monitoring regulatory changes with the assistance of legal counsel and by maintaining high standards with respect to legal, accounting and security controls, as well as proactively taking a leadership role in working with regulatory bodies and other stakeholders to build the necessary institutional infrastructure typically available to other types of businesses.

Over time, the Corporation's business model may differ depending on the various legal requirements affecting the use of medical and/or recreational cannabis. All U.S. States that have legalized cannabis for medical or recreational use require licensed operators to hold a license issued by the applicable state authorities, and several jurisdictions require operators to hold licenses, permits or authorizations in each city or municipality in which the operator conducts business. In some states, for a licensed operator to be eligible to be granted a license, all owners of the licensed operator must be residents of such U.S. State. As such, listed companies or other widely held enterprises may be ineligible to obtain a license in those states where a licensed operator must be a U.S. State resident. The Corporation will not operate in jurisdictions that have not legalized cannabis and does not intend on operating in jurisdictions which have legalized cannabis but have not developed and imposed a licensing regime for licensed operators. See "*Description of The U.S. Legal Cannabis Industry*."

*Licenses*

The Corporation is licensed to operate in the State of Nevada as a Retail and Medical Cultivator, a Retail and Medical Product Manufacturer and a Retail and Medical Dispensary. In the State of Nevada, "Retail" refers to the recreational cannabis market. Please see Table 1 below for a list of the licenses issued to the Corporation in respect of its operations in Nevada. Under applicable laws, the licenses permit the Corporation to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the Nevada State Department of Taxation ("**DOT**") under the provisions of Nevada Revised Statutes section 453A through June 30, 2020 and under NRS 678A, B and D starting July 1, 2020. All licenses are independently issued for each approved activity for use at the Corporation's facilities and retail locations in Nevada.

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

Table 1: Nevada Licenses

| Holding Entity | Permit/License | Jurisdiction[1] | Expiration/Renewal Date | Description |
|---|---|---|---|---|
| MMDC | Medical/Retail | Clark County | July 31, 2020 | Dispensary |
| MMDC | Medical/Retail | Clark County | July 31, 2020 | Cultivation |

[1] The Clark County medical and retail dispensary licenses were approved by DOT for location transfer from 4850 West Sunset Road to 2548 West Desert Inn Road (the Planet 13 Superstore location) within Clark County, on October 31, 2018.

| | | | | |
|---|---|---|---|---|
| MMDC | Medical/Retail | Clark County | July 31, 2020 | Production |
| MMDC | Medical/Retail | Nye County | July 31, 2020 | Cultivation |
| MMDC | Medical | Nye County | July 31, 2020 | Production |
| MMDC | Distribution | Nevada | March 31, 2021 | Distribution |

On May 20, 2020, pursuant to the Santa Ana Acquisition, the Corporation acquired a 100% interest in Newtonian which holds the California License (with an expiry/renewal date of April 17, 2021), permitting it to sell cannabis goods to customers at the Santa Ana Premise. Newtonian also holds the Santa Ana Permit (with an expiry/renewal date of April 30, 2021) for the Santa Ana Premise. The Corporation currently conducts no operations in the State of California through its wholly-owned subsidiary, Newtonian, or otherwise. The Corporation will commence retail sales operations under the California License and the Santa Ana permit upon completion of the Corporation's planned facility build-out and expansion of the Santa Ana Premise.

**Principal Products and Services**

The Corporation currently operates the Planet 13 Superstore, a 16,000 square foot licensed cannabis dispensary located near the Las Vegas Strip from which: (i) it dispenses medical (Medizin) and retail (Planet 13) product lines; (ii) provides the consultation, education and convenience services described below; (iii) operates a coffee shop; and (iv) houses a bistro/pizzeria operated by award-winning Arizona restaurant and craft brewery chain Rickety Cricket. The Corporation's principal products are cannabis and cannabis-infused items sold to consumers in the medical and retail cannabis markets in the State of Nevada, as further described in the AIF. The Corporation sells more than 78 strains of cannabis, 18 of which are grown in-house by the Corporation.

*Services*

In addition to its product offerings, the Corporation offers a number of services described below, designed to educate, spread awareness of the benefits of medical cannabis and increase customer convenience. The Corporation also provides a range of complementary services that are designed to assist patients to become educated about medical cannabis and maintaining a healthy lifestyle. These services include the following:

1. **Cardholder Process Navigation**. The Corporation's dispensary staff assist new patients through the medical cannabis cardholder application process. The Corporation also works with a referral network of doctors to whom they can send potential new patients in order to commence the process.

2. **Individual Consultations.** The Corporation offers one-on-one consultations for first time patients/customers who might be apprehensive about the use of cannabis as a medicinal or recreational product. The Corporation's trained patient care specialists and in-house subject matter experts are able to provide information regarding the benefits and effects of various cannabis products and provide dosage advice as well as recommendations regarding the proper method of medicating and/or recreating.

3. **Compassionate Care Program.** The Corporation offers a compassion program for eligible, cardholding veterans, offering such veterans access to the Corporation's alternative healing services, regardless of financial status. Veteran patients are asked to have a one-on-one consultation with the dispensary manager or executive management staff to assess to what extent the veteran requires assistance and determine what options may be available to help them.

4. **Patient Education.** The Corporation plans to implement patient education services with a goal of providing patient education in the context of every service the Corporation offers. The Corporation plans to offer a library that will include information on general holistic healing, medical cannabis use and research.

5. **Express Service.** The Corporation offers customers the option to place orders in advance of arriving at the dispensary similar to pick up orders at a restaurant.

6. **Home Delivery.** The Corporation offers its customers a convenient home delivery program, which was launched by MMDC in October 2017. In the initial phase, MMDC delivered its products to locations within unincorporated Clark County and the City of Henderson, which comprise 60% and 20% of Clark County, respectively. As of September 2019, the Corporation had expanded its fleet of delivery vehicles to five, and delivered adult use and medical products to the majority of metropolitan areas located within Clark County,

with the exception of Henderson, pending an update to the Henderson municipal code. In March 2020, in response to an Executive Order from Nevada's Governor Steve Sisolak mandating delivery only for all marijuana dispensaries in Nevada, the Corporation again expanded its fleet to 29 vehicles for delivery and received authorization from Henderson to deliver adult use and medical marijuana products within that jurisdiction. With the expanded fleet, the Corporation will continue to focus on growing the delivery program even after the expiration of the Governor's order.

*Provision of Services*

The Corporation's services are currently provided at its Planet 13 Superstore dispensary located at 2548 West Dessert Inn Rd, Las Vegas, Nevada and through home delivery through its distribution license that is currently operating out of the Planet 13 Superstore location.

**Leases**

MMDC currently maintains the following leases:

- Lease 1: MMDC signed a five-year, triple net lease dated July 22, 2015 for its 4,750 square foot Clark County dispensary location with a rate of US$1.75 per square foot, per month, with the right to extend for two additional terms of five years each.

- Lease 2: MMDC signed a lease starting on August 30, 2014 and ending on December 31, 2034 for the Clark County cultivation and production location, with a monthly rent of US$9,667.67, with the right to extend for two additional terms of five years each. MMDC also entered into a sub-lease at that facility for an additional, approximately 2,000 square feet from the neighbouring tenant, with a termination date of December 31, 2034. The landlord was initially an entity owned by Mr. Larry Scheffler, co-Chief Executive Officer of the Corporation. That entity subsequently sold the building effective September 26, 2018 and the new owner, an arm's length party, has assumed all the obligations of the former landlord under the terms of the lease.

- Lease 3: MMDC signed a lease dated April 23, 2018 in respect of the Planet 13 Superstore location (the "**Planet 13 Superstore Lease**") for approximately 112,663 square feet of office and warehouse space located at 2548 West Desert Inn Road, Las Vegas, Nevada, on a 9.14 acre parcel for a term of seven years, starting at a base rent of US$0.20 per square foot, per month, and rising to US$0.824 per square foot, per month for the last year of the initial seven year term. MMDC has the right to extend the lease for two additional terms of seven years each.

- Lease 4: MMDC signed a lease dated April 1, 2019 in respect of certain premises located next to the Planet 13 Superstore consisting of a 3,378 square foot building ("**Building 2**"), 32,400 square foot of land immediately adjacent to such building and a license for use of approximately 4.17 acres of land situated immediately adjacent and north of Building 2. The lease is for a term of six years and two months, starting with a base rent of $8,000 per month for months one to three and $12,000 per month for months four to 17. MMDC has the right to extend the lease for two additional terms of seven years each. MMDC intends to use Building 2 for general office, warehouse and services use, and the remaining land as parking space that it expects it will need to accommodate the Corporation's growth plans with respect to the Planet 13 Superstore.

For additional information, see "*Material Contracts*".

**Specialized Skill and Knowledge Requirements**

Knowledge of aquaculture and hydroponic greenhouse cannabis grows are integral to the Corporation's operations since the Corporation seeks to leverage aquaculture and hydroponics in producing its products. The Corporation currently employs several key personnel with knowledge of aquaculture and hydroponic greenhouse cannabis grows. In particular, the Corporation's proprietary cultivation and production processes are overseen by the Corporation's Vice-President of Operations, Chris Wren who possesses more than 16 years of cannabis industry experience. Mr. Wren is an internationally recognized cannabis horticulturist and has won several awards for his cultivation efforts, including first place in the 2015 International Cannagraphic Growers Cup.

On March 1, 2017, MMDC hired Stephen Markle as Director of Infused Products to spearhead the development, and expansion of, its cannabis-infused product lines. Mr. Markle possesses more than seven years of experience in creating recipes for an array of topicals such as lotions and oils. The Corporation intends to develop an array of cannabis-infused products such as oils (including cartridges for vape pens), water soluble products such as syrups, edible infused products such as chocolates and topicals such as lotions and creams. In 2018, the Corporation launched its own vape pen product line (under the Trendi brand name) and is planning to launch additional products including edibles and other infused edible varieties in the future.

In order to properly provide dispensing services, the Corporation also employs trained patient care specialists and in-house subject matter experts who are able to provide information regarding the benefits and effects of various cannabis products and provide dosage advice as well as recommendations regarding the proper method of medicating and/or recreating.

The Corporation's operations are overseen by experienced business professionals, who have been recruited and employed for their respective areas of functional expertise including: (i) the licensed cultivation, manufacture, distribution, and sale of cannabis; and (ii) consumer packaged cannabis goods and retail businesses. Their expertise includes but is not limited to: finance and accounting, legal and compliance, supply chain and operations, sales and marketing, commercial and cannabis agriculture, chemists, customer service, construction and project management, real estate, and human resources.

More detailed information regarding the business of the Corporation as well as its operations, assets, and properties can be found in the AIF and other documents incorporated by reference herein, as supplemented by the disclosure herein. See "*Documents Incorporated by Reference*".

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

Below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Corporation is currently directly involved. The Corporation intends to evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and expects to supplement and amend the disclosure in public filings, in the event of material government policy changes or the introduction of new or amended material guidance, laws or regulations regarding marijuana regulation.

### Use of Cannabis

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as THC and cannabidiol (CBD), as medical therapy. 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 users to inhale the active ingredients as a vapor instead of smoke.

Topical cannabis are applied directly to the skin. They include lotions, salves, balms, sprays, oils, and creams. Unlike smoking, vaporizing or eating cannabis, topical products which are typically low in THC and higher in CBD are generally non-psychoactive.

### Nevada

Despite legal, regulatory and political obstacles, the U.S. cannabis industry continues to experience substantial growth. Nevada legalized adult-use cannabis in 2016 and is projected to remain a significant market in the U.S., largely due to the tourism industry. Total sales reported by licensed adult-use retail stores and medical dispensaries as reported by the State of Nevada Department of Taxation totalled US$701,760,416 for the calendar year ended December 31,

2019.[2] Frontier Financial Group projects that the Nevada retail cannabis market will have a compound annual growth rate of 25% from 2017 to 2022.[3] Most of the population and most tourism in Nevada is located in the City of Las Vegas. Specifically, over the last six years, Las Vegas has received more than 40 million tourists a year.[4] The Corporation believes the opportunity in Las Vegas is enhanced by the limited number of licenses available in the city and by the city's policy of offering a preference to existing license holders in obtaining additional or expanded licenses.

California

California is regarded as the largest legal marijuana market in the world, with an estimated US$3 billion in licensed cannabis sales for the year ended December 31, 2019.

Cannabis consumer spending in California is forecast to reach US$7.2 billion in 2024, a 19% compound annual growth rate (CAGR) over the next five years. California currently has a relatively low number of retailers for its population, with only one licensed retailer for every 35,147 adults over the age of 21. In contrast, Oregon has one dispensary for every 5,567 adults over 21 and Colorado—the first state to launch an adult-use market—has one retailer for every 4,240 adults age 21 and over.[5]

**Legal and Regulatory Matters**

United States Federal Overview

In the U.S., 33 states and Washington D.C. have legalized medical marijuana, while 11 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 that 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 DOJ issued the Cole Memo to all U.S. Attorneys' offices (federal prosecutors). The Cole Memo 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 Memo, 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 Memo was revoked by then Attorney General Jeff Sessions. While this did not create a change in federal law - as the Cole Memo 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 Memo and explained that the Cole Memo 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 Memo, 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."

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[2] Marijuana Tax Revenue – Fiscal year 2019 and Fiscal Year to Date 2020, from the Nevada Department of Taxation. Retrieved from https://tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/

[3] Frontier Financial Group Inc. (2017). Change in Compensation: Working in Cannabis. Retrieved from https://newfrontierdata.com/marijuana-insights/change-in-compensation-working-in-cannabis/.

[4] Las Vegas Convention and Visitors Authority. (2018 July). Las Vegas Visitor Statistics. Retrieved from https://www.lvcva.com/stats-and-facts/visitor-statistics/; and see also Las Vegas Convention and Visitors Authority. (2018 April). Historical Las Vegas Visitor Statistics. Retrieved from https://res.cloudinary.com/simpleview/image/upload/v1/clients/lasvegas/Historical_1970_to_2017_c6545898-1224-48cf-bff5- b08a53ce4369.pdf.

[5]California's Legal Cannabis Market on Track to Reach US$3.1 Billion in 2019 Sales, US$7.2 Billion in 2024: https://bdsa.com/new-report-californias-legal-cannabis-market-on-track-to-reach-3-1-billion-in-2019-sales-7-2-billion-in-2024/

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 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 Memo'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. On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. On February 14, 2019, William Barr was sworn in as United States Attorney General. During his confirmation hearing on January 15, 2019, Mr. Barr pledged not to pursue marijuana companies that comply with state law. This pledge was made in writing, when responding to written questions from Senators: "As discussed in my hearing, I do not intend to go after parties who have complied with the state law in reliance on the Cole Memorandum". Moreover, in January of 2019, Attorney General William Barr, in a series of written responses to the Senate Judiciary Committee as a follow up to his confirmation hearing, stated his preference is that the "legislative process, rather than administrative guidance, is ultimately the right way to resolve whether and how to legalize marijuana." Attorney General William Barr's statements are not official declarations of DOJ policy, are not binding on the DOJ, on any U.S. Attorney, or on the federal courts. Attorney General William Barr may clarify, retract, or contradict these statements.

To the knowledge of the Corporation's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California or Nevada.

Although the rescission of the Cole Memo presents a significant risk factor, a U.S. wide "crackdown" did not occur following its rescission. 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 Memo 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 Memo 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. The Corporation believes, from a purely legal perspective, that 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 anti-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 Memo. 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 Memo 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 Memo, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memo 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 is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memo. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, 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.

Although the Cole Memo 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, 2017, 2018, 2019 and 2020 Consolidated Appropriations Acts 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 Rohrabacher-Leahy Amendment was included in the FY 2020 budget passed on December 20, 2019, meaning that, the Rohrabacher-Leahy Amendment is still in effect as of today's date and will remain in effect until September 30, 2020, when FY 2021 begins. Should the Rohrabacher-Leahy Amendment not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases including medical cannabis businesses that are otherwise compliant with State law. Notably, the safeguard described above has always applied only to medical cannabis programs, and has no effect on pursuit of recreational cannabis activities.

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 Memo, the Corporation intends to abide by the following to ensure compliance with the guidance provided by the Cole Memo:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;

- ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);

- implement policies and procedures to ensure that cannabis products are not distributed to minors;

- implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

- implement an inventory tracking system and necessary procedures 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;

- ensure that its 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; and

- ensure that its 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 Corporation may (and frequently does) conduct background checks to ensure that the principals and management of its operating subsidiaries 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 Corporation will also conduct ongoing reviews of the activities of its 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 is permitted by regulation.

Nevada State Law Overview

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioral Health (the "**Division**") licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the DOT. In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process was merit-based, competitive, and is currently closed.

Nevada does not have any U.S. residency requirements with respect to license ownership. In addition, vertical integration is neither required nor prohibited. All medical marijuana sales are made subject to the recipient holding a registry identification card issued by the State of Nevada under Nevada Revised Statute ("**NRS**") RS 453A. 200 through 250. The Corporation is permitted to sell medical marijuana products to non-Nevada patients as non-Nevada patients are permitted reciprocity under NRS 453A.364, which states at sub-paragraph (2), "A medical marijuana dispensary may dispense marijuana to a person described in subsection 1 if the person presents to the medical marijuana dispensary any document which is valid to prove the authorization of the person to engage in the medical use of marijuana under the laws of his or her state or jurisdiction of residence. Such documentation may include, without limitation, written documentation from a physician or other provider of health care if, under the laws of the person's state or jurisdiction of residence, written documentation from a physician or other provider of health care is sufficient to exempt the person from prosecution for engaging in the medical use of marijuana. Nevada also allows for dispensaries to deliver medical marijuana to patients in the State of Nevada.

Under Nevada's adult-use marijuana law, the DOT licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult- use marijuana regulation and enforcement, the single regulatory agency is now known as the "Marijuana Enforcement Division of the Department of Taxation." For the first 18 months after legalization, applications to the Department for adult-use establishment licenses were only accepted from existing medical marijuana establishments and from existing liquor distributors for the adult-use distribution license.

The issuance of retail marijuana distribution licenses has been subject to an ongoing legal battle after the DOT opened distribution licenses to existing medical marijuana establishments based on the premise that there was an insufficient number of applications from existing liquor distributors to service the new adult-use cannabis market. There are currently 24 licensed distributors that are medical marijuana establishments and six licensed distributors that are liquor distributors.

In February 2017, the DOT announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses expired at the end of the year and, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana. All cannabis cultivated, and infused products produced under the adult-use program that were not existing inventory at a medical marijuana dispensary were transported to retail marijuana stores utilizing a licensed retail marijuana distributor. Starting on July 1, 2017, medical and adult-use marijuana became subject to a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis is subject to an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

The DOT is responsible for licensing and regulating retail marijuana businesses and medical marijuana program in Nevada. There are five types of retail marijuana establishment licenses:

- *Cultivation Facility* – Licenses to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.

- *Distributor* - Licenses to transport marijuana from a marijuana establishment to another marijuana establishment.

- *Product Manufacturing Facility* - Licenses to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers.

- *Testing Facility* - Licenses to test marijuana and marijuana products, including for potency and contaminants.

- *Retail Store* - Licenses to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

The regular retail marijuana program began in early 2018. The Regulation and Taxation of Marijuana Act specifies that, for the first 18 months of the program, only existing medical marijuana establishment certificate holders could apply for a retail marijuana establishment license. As that restriction expired in November 2018, on December 5, 2018, DOT expanded the application process and awarded an additional 61 licenses for retail marijuana dispensaries in Nevada. The regular program is governed by permanent regulations found in Nevada Administrative Code Sections 453A and 453D.

Upon notification that MMDC was not a recipient of any of the new licenses granted by DOT on December 5, 2018, the Corporation determined that there were significant irregularities in the license application and review process. Based on this determination, MMDC filed a complaint against the State of Nevada and DOT on December 10, 2018, and concurrently pursued all available administrative remedies (the "**DOT License Matter**"). MMDC has requested a judicial review of the license application process and the scoring criteria utilized by DOT, and requested that the court award MMDC monetary damages as a result of DOT's failure to properly award licenses and that the court award retail dispensary licenses to MMDC. As of August 23, 2019, as a result of discrepancies discovered in the application process administered by the State of Nevada, a court issued a partial preliminary injunction against the State of Nevada from moving forward with the numerous holders of provisional licenses awarded under the December 5, 2018 provisional license awards. In addition to the preliminary injunction, the State of Nevada and various intervenors remain subject to ongoing litigation. MMDC stands by the strength of its application and operations as being highly deserving of a license award, either in the application process or resulting from the litigation. The trial is currently anticipated to occur in mid-July 2020 to early August 2020.

In early 2019, Nevada legislature passed Nevada Assembly Bill 533 ("**AB533**"), which authorized the formation of the Cannabis Compliance Board (the "**CCB**") to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada and promulgated statutes which will replace NRS 453A and 453D effective on July 1, 2020. Those statutes are currently codified at NRS 678A, B, C and D. The CCB has issued draft regulations and is currently engaging in administrative rulemaking related to the draft regulations. On June 9, 2020, the Corporation provided review comments to the CCB-promulgated draft regulations.

The executive director of the CCB was appointed on September 30, 2019 by Nevada Governor Steve Sisolak. As of June 17, 2020, three of the five members of the CCB had been appointed. Under AB533, in addition to their general authority and oversight of cannabis operations in Nevada, the CCB is mandated with studying the feasibility and safe implementation of licensing for lounges. The Corporation has previously worked with the CCB and regulators to provide information regarding the safety and feasibility of consumption lounges. If the State of Nevada authorizes the operation of cannabis lounges in Nevada, the Corporation is well-positioned, operationally and by virtue of the Planet 13 Superstore location, to apply for a lounge license(s).

California State Law Overview

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the *Compassionate Use*

*Act of 1996*. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients. In September 2015, the California legislature passed three bills collectively known as the Medical Cannabis Regulation and Safety Act ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the *Adult-Use of Marijuana Act* ("**AUMA**") creating an adult-use marijuana program for adults 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as *Medicinal and Adult-Use Cannabis Regulation and Safety Act* ("**MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern a medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are the Bureau of Cannabis Control ("**BCC**"), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration.

MAUCRSA came into effect on January 1, 2018. One of the central features of MAUCRSA is known as "local control." In order to legally operate a medical or adult-use marijuana business in California, an operator must have both a local and state license. This requires license holders to operate in cities or counties with marijuana licensing programs. Cities and counties in California are allowed to determine the number of licenses they will issue to marijuana operators, or can choose to outright ban marijuana.

The Corporation (through Newtonian) is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of California.

State cannabis licenses in California must be renewed annually. Depending on the jurisdiction, the Corporation's local authorizations must generally be renewed annually as well. Each year, licensees are required to submit a renewal application per State cannabis regulatory guidelines. Provided renewal applications are submitted in a timely manner, the Corporation can expect the renewals to be granted in the ordinary course of business.

On January 10, 2020, the three commercial cannabis licensing agencies in California, the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health (collectively, "**California Licensing Agencies**") announced that California Governor Gavin Newsom's budget proposal for cannabis industry regulation and taxation included plans to consolidate the three licensing entities that are currently housed at the California Licensing Agencies into a single Department of Cannabis Control by July 2021. Per the announcement, the "Establishment of a standalone department with an enforcement arm will centralize and align critical areas to build a successful legal cannabis market, by creating a single point of contact for cannabis licensees and local governments. The Administration will provide more details on this proposal in spring 2020."

The announcement also included a proposal for tax simplification by moving the point of collection from the responsibility for the cultivation excise tax from the final distributor to the first, and for the retail excise tax from the distributor to the retailer. Per a May 15, 2020 Summary of Governor Gavin Newsom's May Budget Revision for the 2020-21 Fiscal Year (the "**May Revision**") provided by the California Cannabis Industry Association, the Governor's May budget revision postponed agency consolidation as a result of the COVID-19 pandemic to the 2021-22 fiscal year budget.

Considering the delayed cannabis consolidation effort, the May Revision maintains funding for licensing and enforcement activities within the existing licensing entities, with some modifications. When asked whether anything would be proposed relative to agency consolidation in the 2020 legislative year, Nicole Elliott (Senior Advisor on Cannabis, Governor Gavin Newsom) suggested that uniform licensing protocols and regulatory clean-up were under consideration and could be part of a short-term, as well as a longer term strategy. Additionally, the tax simplification for cannabis has been postponed until 2021.

*California On-Site Consumption*

MAUCRSA allows local municipalities and jurisdictions to authorize the on-site consumption of cannabis by state-licensed retailers and/or microbusinesses. If a city or county permits it, retailers and microbusinesses can have on-site consumption if: (i) access to the area where cannabis consumption is allowed is restricted to persons 21 years of age and older, (ii) cannabis consumption is not visible from any public place or nonage-restricted area, and (iii) the sale or consumption of alcohol or tobacco is not allowed on the premises.

The City of Santa Ana is silent on on-site consumption and does not explicitly prohibit cannabis lounges and on-site consumption by licensees. Santa Ana does prohibit the on-site sales of alcohol or tobacco products, (excluding rolling papers and lighters) and no on-site consumption of food, alcohol or tobacco by patrons. Currently, on-site consumption is permitted in various forms in the City of West Hollywood, San Francisco, City of Oakland, City of Alameda and Palm Springs.

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 Corporation. Further, the Corporation 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 its ability to conduct its 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 the Corporation's financial statements also could occur for the period in which the effect of an unfavorable 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 Corporation 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 Corporation's earnings and could make future growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Corporation and which cannot be reliably predicted.

The Corporation expects to derive all of 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, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Corporation expects to remain focused in the state of Nevada and, as a result of the Santa Ana Acquisition, the state of California which states have legalized the medical and recreational adult-use of cannabis. 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 regard to the sale and disbursement of medical or recreational 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 Memo 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 Corporation's business would be materially and adversely affected. 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 Corporation. The Corporation's involvement in the medical and recreational adult-use cannabis industry is illegal under the applicable federal laws of the United States and may be illegal under 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 Corporation. The consequences of such enforcement would be materially adverse to the Corporation and the Corporation's business and could result in the forfeiture or seizure of all or substantially all of the Corporation's assets.

See "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*".

Nature of the Corporation's Involvement in the U.S. Cannabis Industry

The Corporation has a material direct involvement in the cannabis industry in Nevada. Currently, the Corporation is directly engaged in the cultivation, manufacture and production, possession, use, sale and distribution of cannabis in the medical and adult-recreational use cannabis marketplace in Nevada. In addition, as a result of the Santa Ana Acquisition, the Corporation holds a California cannabis sales license. Approximately 93% of the Corporation's assets and 100% of the Corporation's revenues are directly attributable to the medical and recreational adult-use cannabis market in Nevada. The Corporation holds cultivation, production and retail distribution licenses for the State of Nevada and a retail distribution license in the State of California.

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 Corporation, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results and profitability. In addition, it is difficult for the Corporation 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 Corporation's involvement in the U.S. cannabis industry is presently only in the State of Nevada and State of California. The Corporation may, in future periods, expand its operations outside of Nevada, including California, and intends to restrict such future expansion to: (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those states where the Corporation can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

The Corporation will continue to monitor, evaluate and re-assess the regulatory framework in the State of Nevada, State of California and any state that it may look to expand its operations to in the future, 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 Corporation is subject to a variety of laws and regulations in the U.S. that involve anti-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) 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. 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.

The Corporation's activities, 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 Corporation to declare or pay dividends or effect other distributions. Furthermore, while the Corporation has no current intention to declare or pay

dividends on its Common Shares in the foreseeable future, the Corporation may decide to, 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 Corporation has historically relied entirely on access to private capital in order to support its continuing operations and capital expenditure requirements. The Corporation expects to rely on both private and public capital markets to finance its growth plans 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, the Corporation believes that it will be successful in raising private and public financing in the future. However, there is no assurance the Corporation 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.

Compliance with Nevada and California State Law

The Corporation complies with applicable Nevada state licensing requirements as follows: (i) MMDC is licensed pursuant to applicable Nevada state law to cultivate, possess and/or distribute marijuana in Nevada; (ii) renewal dates for such licenses are docketed by legal counsel and/or other advisors; (iii) random internal audits of the Corporation's business activities are conducted by the applicable Nevada state regulator and by the Corporation to ensure compliance with applicable Nevada state law; (iv) each employee of the Corporation is provided with an employee handbook that outlines internal standard operating procedures in connection the cultivation, possession and distribution of marijuana to ensure that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked and using scanners to confirm each customer's legal age and the validity of each customer's drivers' license; (v) each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance; (vi) software is used to track marijuana inventory from seed to sale; and (vii) the Corporation is contractually obligated to comply with applicable Nevada state law in the United States in connection with the cultivation, possession and/or distribution of marijuana in Nevada.

The Corporation, through its subsidiary Newtonian, holds the Santa Ana Permit and the California License. In order to qualify for these licenses, the Corporation submitted applications with detailed plans and procedures evidencing to the applicable regulators that it complies with all statutory and regulatory requirements in California for the operation of the licenses. The Corporation has further retained a California regulatory consultant, with experience operating regulatory-compliant California license operations, to advise the Corporation on regulatory requirements and updates in that state.

The Corporation has a full time General Counsel, Leighton Koehler, on staff in Nevada, who is a licensed attorney under the State Bar of Nevada, in good standing, whose responsibilities include monitoring the day to day activities of staff, including ensuring that the established standard operating procedures are being adhered to at each stage of the cultivation, processing and distribution cycle, to identify any non-compliance matters and to put in place the necessary modifications to ensure compliance. Mr. Koehler, in his capacity as General Counsel, performs monthly, unannounced audits against the Corporation's established standard operating procedures and State of Nevada regulations. Each employee is provided with an employee handbook outlining the standard operating procedures and state regulations upon hiring and is then provided with one on one quality and regulatory training through programs overseen by the General Counsel. Mr. Koehler works regularly with the Corporation's California regulatory consultant and oversees all aspects of services provided in connection with the Santa Ana Permit and the California License to ensure compliance and continuity of those licenses. See "*Directors and Officers*".

The Corporation's licenses are in good standing to cultivate, possess and/or wholesale marijuana in the State of Nevada and the Corporation, through MMDC, is in compliance with Nevada's marijuana regulatory program. MMDC has not experienced any non-compliance nor has it been subject to any notices of violation by the State of Nevada.

The Corporation is in compliance with U.S. state law and the related licensing framework. The Corporation uses reasonable commercial efforts to confirm, through the advice of its General Counsel, Leighton Koehler, through the monitoring and review of its business practices, and through regular monitoring of changes to U.S. Federal enforcement priorities, that its businesses are in compliance with applicable licensing requirements and the regulatory frameworks enacted by Nevada. The Corporation's General Counsel also works with external legal advisors in Nevada

to ensure that the Corporation and MMDC are in on-going compliance with applicable Nevada state law, including:

- weekly correspondence and updates with advisors;
- development of standard operating procedures with respect to cultivation, processing and distribution;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management;
- appropriate employee training for all standard operating procedures; and
- subscription to monitoring programs to ensure compliance with the FinCEN Memorandum.

The Corporation, through MMDC, has not received any noncompliance orders, citations or notices of violation, that may have an impact on MMDC's licenses, business activities or operations.

In addition, the Corporation will continue to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in Nevada by continuous review of its licenses and affirmation certifications from management. While the Corporation's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. See "*Risk Factors – Risks Related to the Business of the Corporation – Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act*."

Reporting Requirements

The State of Nevada has selected Franwell Inc.'s METRC solution ("**METRC**") as the state's track-and-trace system used to track commercial cannabis activity and movement across the distribution chain ("**seed-to-sale**"). Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. For all Nevada licensed facilities, the Corporation has designated an in-house computerized seed to sale software that integrates with METRC via an application programming interface. BioTrackTHC, the Corporation's chosen seed-to-sale system, captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes sections 453A and 453D.

Storage and Security

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

- Be an enclosed, locked facility.
- Have a single secure entrance.
- Train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring.
- Install security equipment to deter and prevent unauthorized entrances, which includes:
    - devices that detect unauthorized intrusion which may include a signal system;
    - exterior lighting to facilitate surveillance;
    - electronic monitoring including, without limitation:
        - at least one call-up monitor that is 19 inches or more;

        - a video printer capable of immediately producing a clear still photo from any video camera image;
        - video cameras with a recording resolution of at least 704 x 480 which provide coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;
        - a video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;
        - a video camera in each grow room which can identify any activity occurring within the grow room in low light conditions;
        - a method for storing video recordings from the video cameras for at least 30 calendar days;
        - a failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system; and
        - sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage.
    - security alarm to alert local law enforcement of unauthorized breach of security.

- Implement security procedures that:
    - restrict access of the establishment to only those persons/employees authorized to be there;
    - deter and prevent theft;
    - provide identification (badge) for those persons/employees authorized to be in the establishment;
    - prevent loitering;
    - require and explain electronic monitoring; and
    - require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

## CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of the Corporation since the date of the Interim Financial Statements except for Restricted Voting Shares issued pursuant to the Santa Ana Acquisition (see "Summary Description of the Business - Recent Developments/History") and the issuance of 7,899,112 Common Shares pursuant to the exercise of outstanding warrants for aggregate proceeds of $11,058,757. After giving effect to the Offering (assuming no exercise of the Over-Allotment Option), there will be a total of 97,076,944 Common Shares and 59,173,872 Restricted Voting Shares issued and outstanding.

## USE OF PROCEEDS

The net proceeds to the Corporation from the Offering (assuming no exercise of the Over-Allotment Option) is estimated to be approximately $9,417,860 (after deducting the Underwriters' Fee of $601,140 but before deducting the expenses of the Offering estimated to be approximately $500,000).

The net proceeds of the Offering are currently intended to be used as outlined below:

| Use | Allocation of Net Proceeds |
|---|---|
| Expansion of Nevada Cultivation Capabilities | $1,000,000 |
| Retail Expansion outside of Nevada | $5,000,000 |
| General corporate and other working capital purposes | $3,417,860 |
| **Total** | $9,417,860 |

If the Over-Allotment Option is exercised in full for Over-Allotment Units, the net proceeds to the Corporation from the Offering is estimated to be $10,830,539 (determined after deducting the Underwriters' Fee but before deducting expenses related to the Offering estimated at $500,000). The net proceeds from the exercise of the Over-Allotment Option, if any, are expected to be used for general corporate and other working capital purposes.

The Corporation anticipates that the combination of cash-on-hand and cash flow from operations will be sufficient to fund existing operations over the next 12 months. Funds from the proposed Offering are expected to be deployed as disclosed herein to fund expansion and growth initiatives. The Corporation also expects to fund existing supply agreements with third parties through cash flow from operations, which are consistent with management's expectations as at the date of this Prospectus. See "*Caution Regarding Forward-Looking Statements*".

While the Corporation currently anticipates that it will use the net proceeds of the Offering as set forth above, the Corporation may re-allocate the net proceeds of the Offering from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. It is anticipated that the net proceeds from the Offering will be expended within 12 months following the completion of the Offering. Until utilized, the net proceeds of the Offering will be held in cash balances in the Corporation's bank accounts or invested at the discretion of management. Management will have discretion concerning the use of the net proceeds of the Offering, as well as the timing of their expenditure. See "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*".

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Corporation has agreed to issue and sell and the Underwriters have severally (and not jointly nor jointly and severally) agreed to purchase, as principals, on the Closing Date, 4,660,000 Units at the Offering Price, for aggregate gross consideration of $10,019,000, payable in cash to the Corporation against delivery of the Units, subject to the terms and conditions of the Underwriting Agreement. The Offering Price was determined by arm's length negotiation between the Corporation and the Lead Underwriter, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares. The obligations of the Underwriters under the Underwriting Agreement are several (and not joint nor joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of "material adverse change out", "restrictions on distribution out", "adverse order out", "disaster out", and "breach out" provisions in the Underwriting Agreement and may also be terminated upon the occurrence of certain other stated events. Each Underwriter is, however, obligated to take up and pay for all of the Units it has agreed to purchase if it purchases any Units under the Underwriting Agreement.

Each Unit will consist of one Unit Share and one-half of one Warrant. Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of $2.85 for a period of 24 months following the Closing Date. The Warrants will be created and issued pursuant to the terms of the Warrant Indenture. The Warrant Indenture will contain provisions designed to protect holders of the Warrants against dilution upon the happening of certain events. No fractional Warrants will be issued. See "*Description of Securities Being Distributed — Warrants*".

The Underwriters have been granted an Over-Allotment Option, exercisable, in whole or in part, at any time, and from time to time, on or before the Over-Allotment Deadline, to purchase up to an additional 699,000 Over-Allotment Units at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised to acquire: (i) up to 699,000 Over-Allotment Units at the Offering Price; (ii) up to 699,000 Over-Allotment Shares at the Over-Allotment Share Price; (iii) up to 349,500 Over-Allotment Warrants at the Over-Allotment Warrant Price; or (iv) any combination of Over-Allotment Units at the Offering Price, Over-Allotment Shares at the Over-Allotment Share Price and Over-Allotment Warrants at the Over-Allotment Warrant Price, provided that the aggregate number of Over-Allotment Shares that may be issued under such Over-Allotment Option does not exceed 699,000 and the aggregate number of Over-Allotment Warrants that may be issued under such Over-Allotment Option does not exceed 349,500. The Over-Allotment Option is exercisable by the Lead Underwriter giving notice to the Corporation prior to the Over-Allotment Deadline, which notice shall specify the number of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants to be purchased. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In consideration for the services provided by the Underwriters in connection with the Offering, and pursuant to the terms of the Underwriting Agreement, the Corporation has agreed to pay the Underwriters the Underwriters' Fee equal to 6% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option). As additional compensation, the Underwriters will be issued Compensation Options entitling the Underwriters to purchase that number of Compensation Option Shares equal to 6% of the number of Units sold pursuant to the Offering (including any additional Units sold pursuant to the Over-Allotment Option) at a price of $2.15 per Compensation Option Share for a period of 24 months from the Closing Date. This Prospectus qualifies the grant of the Compensation Options to the Underwriters.

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

The Corporation has given notice to the CSE to list the Unit Shares, the Warrants, the Warrant Shares and the Compensation Option Shares on the CSE. Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE. There is currently no market through which the Warrants may be sold. See "*Risk Factors*".

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

The Unit Shares and the Warrants comprising the Units offered hereby and the Warrant Shares issuable upon exercise of the Warrants have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, a person in the United States or a U.S. Person.

Each Underwriter has agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable U.S. federal and state securities laws, it will not offer or sell the Units at any time to, or for the account or benefit of, any person in the United States or any U.S. Person as part of its distribution. The Underwriting Agreement permits the Underwriters to re-offer and re-sell the Units that they have acquired pursuant to the Underwriting Agreement to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) that are, or are acting for the account or benefit of, a person in the United States or a U.S. Person in compliance with Rule 144A under the U.S. Securities Act (and pursuant to similar exemptions under applicable state securities laws). Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Units outside the United States to non-U.S. Persons only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Units, and the Unit Shares and the Warrants comprising the Units, that are offered or sold to, or for the account or benefit of, a person

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

The Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Warrants will not be exercisable by or on behalf of a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and the Corporation has received an opinion of counsel of recognized standing or other evidence to such effect in form and substance reasonably satisfactory to the Corporation; provided, however, that a holder who is a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) at the time of exercise of the Warrants who purchased Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel or such other evidence in connection with the exercise of Warrants that are a part of those Units.

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

Subscriptions for the Units will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about July 3, 2020, or such other date as may be agreed upon by the Corporation and the Underwriters, but in any event not later than 42 days after the date of the receipt for the (final) short form prospectus. It is anticipated that the Unit Shares and Warrants comprising the Units will be delivered under the book-based system through CDS or its nominee and deposited in electronic form, or will otherwise be delivered to the Underwriters registered as directed by the Underwriters, on the Closing Date. Except in limited circumstances, a purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Unit Shares and Warrants on behalf of owners who have purchased Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required.

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

**Price Stabilization, Short Positions, and Passive Market Making**

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

In connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Stabilizing

transactions consist of bids or purchases made for the purpose of preventing or slowing a decline in the market price of the Common Shares while the Offering is in progress. The Underwriters may engage in activities such as, but not limited to: (i) stabilizing transactions that permit bids to purchase Common Shares so long as the stabilizing bids do not exceed a specified maximum: (ii) over-allotment transactions that involve sales by the Underwriters of Common Shares in excess of the number of Units the Underwriters are obligated to purchase, which creates a syndicate short position, which position the Underwriters may close out by purchasing Common Shares in the open market: and (iii) penalty bids that permit the representatives to reclaim a selling concession from a syndicate member when the Units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions. As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market.

**Standstill and Lock-up Arrangements**

Pursuant to the Underwriting Agreement, the Corporation has agreed that until the date which is 90 days after the Closing Date, it will not, without the written consent of the Lead Underwriter, such consent not to be unreasonably withheld, conditioned or delayed, issue, agree to issue, or announce an intention to issue, any additional Common Shares or any securities convertible into or exchangeable for Common Shares, other than: (i) pursuant to the exercise of the Over-Allotment Option; (ii) under existing director or employee stock options, restricted share units ("**RSUs**"), bonus or purchase plans or similar share compensation arrangements as detailed in the Interim MD&A; (iii) under director or employee stock options, RSUs, purchased plans or similar compensation arrangements or bonuses granted subsequently in accordance with regulatory approval and in a manner consistent with the Corporation's past practice; (iv) upon the exercise of convertible securities, warrants or options outstanding prior to the date of the Underwriting Agreement; (v) pursuant to previously scheduled payments; or (vi) pursuant to other corporate and/or asset acquisitions.

Additionally, pursuant to the Underwriting Agreement, each officer, director and principal shareholder of the Corporation will enter into lock-up agreements pursuant to which such persons undertake not to sell, or agree to sell (or announce any intention to do any of the foregoing), any Common Shares or securities exchangeable or convertible into Common Shares, other than other than sales of up to 1,420,000 Common Shares following vesting of RSUs or pursuant to a bona fide take-over bid or any other similar transaction made generally to all of the shareholders of the Corporation, for a period of 90 days from the Closing Date without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed.

**Non-Certificated Inventory System**

It is anticipated that the Offering will be conducted under the book-based system, pursuant to which the Corporation will arrange for one or more instant deposits of the Units issued under the Offering to or for the account of the Underwriters with CDS or its nominee through the non-certificated inventory system administered by CDS on the Closing Date. Purchasers of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system.

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

**Offering**

The Offering consists of Units, each of which is comprised of one Unit Share and one-half of one Warrant. The Units will separate into Unit Shares and Warrants immediately upon the closing of the Offering. The Units are offered at the Offering Price of $2.15 per Unit. This Prospectus qualifies the distribution of the Units, including the Unit Shares and the Warrants, and the grant of the Compensation Options.

**Common Shares**

The Corporation's authorized share capital consists of an unlimited number of Common Shares without par value, of which 92,416,944 Common Shares are issued and outstanding as at the date hereof, 160,920,553 Common Shares on a fully diluted basis, assuming the conversion of all of the issued and outstanding Restricted Voting Shares into Common Shares, exercise of all outstanding options and warrants and vesting of all RSUs.

Holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to one vote per share at meetings of shareholders of the Corporation and, upon dissolution, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares.

The Corporation has not paid dividends since the completion of the Business Combination and currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Corporation does not intend to pay dividends on the Common Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board deems relevant. The Corporation is not bound or limited in any way to pay dividends in the event that the Board determined that a dividend was in the best interest of its shareholders.

**Warrants**

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

Each whole Warrant entitles its holder, upon the payment of the exercise price of $2.85, to purchase one Warrant Share for a period of 24 months from the Closing Date. See "*Plan of Distribution*".

The Warrants will be governed by the Warrant Indenture. The Corporation will designate the Warrant Agent, in its Calgary, Alberta office, as agent for the Warrants. Prior to the closing of the Offering, the Corporation may name any other agent with respect to the Warrants.

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

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

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

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

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

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

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

(i) the reclassification of the Common Shares;

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

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

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

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

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

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

The Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Warrants will not be exercisable by or on behalf of a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and the Corporation has received an opinion of counsel of recognized standing or other evidence to such effect in form and substance reasonably satisfactory to the Corporation; provided, however, that a holder who is a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) at the time of exercise of the Warrants who purchased Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel or such other evidence in connection with the exercise of Warrants that are a part of those Units.

**Compensation Options**

For their services in connection with the Offering, the Underwriters will receive non-transferrable Compensation Options to purchase an aggregate of 279,600 Compensation Option Shares (or 321,540 Compensation Option Shares if the Over-Allotment Option is exercised in full) at a price of $2.15 per Compensation Option Share. The Compensation Options shall have a term of 24 months from the Closing Date. The terms to be set out in the certificates representing the Compensation Options will include, among other things, customary provisions for the appropriate adjustment of the number of Compensation Option Shares issuable pursuant to any exercise of the Compensation Options upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, any capital reorganization of the Corporation, or any merger, consolidation or amalgamation of the Corporation with another corporation or entity, as well as customary amendment provisions. The Underwriters, as holders of the Compensation Options, will not as such have any voting right or other right attached to Common Shares until and unless the Compensation Options are duly exercised as provided for in the certificates representing the Compensation Options.

## PRIOR SALES

The following tables set forth details regarding issuances of Common Shares and issuances of securities convertible into or exchangeable, redeemable or exercisable for Common Shares during the 12-month period before the date of this Prospectus.

| Date | Type of Security Issued | Issuance/Exercise Price per Security | Number of Securities Issued |
|---|---|---|---|
| June 30, 2019 | Stock Options | $2.60 | 22,500 |
| June 30, 2019 | Restricted Share Units | $2.60 | 3,259,624 |
| July 4, 2019 | Stock Options | $2.65 | 100,000 |
| May 20, 2020 | Restricted Voting Shares[1] | $1.43 | 3,940,932 |

**Notes:**

(1) Issued in connection with the Santa Ana Acquisition. See "*Summary Description of the Business - Recent Developments/History*".

## TRADING PRICE AND VOLUME

The Common Shares trade on the CSE under the symbol "PLTH" and are quoted on the OTCQX under the symbol "PLNHF". The following table sets out the high and low trading prices, as well as the trading volume for the Common Shares on the CSE (as reported by the CSE) and on the OTCQX (as reported by Stockwatch) for the periods indicated.

| | CSE | | | OTCQX | | |
|---|---|---|---|---|---|---|
| Month | High ($) | Low ($) | Volume | High (US$) | Low (US$) | Volume |
| **2020** | | | | | | |
| June 1 to June 18 | 2.69 | 1.66 | 12,660,045 | 1.99 | 1.22 | 21,669,133 |
| May | 1.84 | 1.41 | 2,057,601 | 1.34 | 1.01 | 5,424,130 |
| April | 1.88 | 1.26 | 2,240,122 | 1.36 | 0.88 | 5,994,454 |
| March | 2.19 | 0.99 | 4,092,159 | 1.75 | 0.63 | 11,106,468 |
| February | 2.60 | 1.81 | 4,283,354 | 1.96 | 1.35 | 9,061,852 |
| January | 2.62 | 2.01 | 2,198,270 | 2.02 | 1.51 | 3,723,377 |
| **2019** | | | | | | |
| December | 2.60 | 1.94 | 1,948,463 | 2.00 | 1.46 | 4,307,586 |
| November | 2.39 | 1.72 | 2,918,888 | 1.80 | 1.28 | 3,595,608 |
| October | 2.45 | 1.63 | 3,518,915 | 1.84 | 1.26 | 5,178,101 |
| September | 2.75 | 2.12 | 3,825,061 | 2.10 | 1.60 | 5,345,260 |
| August | 2.85 | 2.28 | 3,596,083 | 2.16 | 1.70 | 6,135,439 |
| July | 2.86 | 2.35 | 4,733,298 | 2.18 | 1.80 | 6,794,411 |
| June | 3.10 | 2.41 | 4,593,371 | 2.50 | 1.92 | 1,990,928 |

At the close of business on June 18, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares as quoted by the CSE was $2.42 and the closing price of the Common Shares as quoted on the OTCQX was US$1.7852.

## DIRECTORS AND OFFICERS

The following table sets forth the name, municipality of residence, position held with the Corporation, principal occupation for the five preceding years and number of Common Shares and Restricted Voting Shares beneficially owned by each person who is a director and/or an executive officer of the Corporation. The statement as to the Common Shares or Restricted Voting Shares beneficially owned, controlled or directed, directly or indirectly, by the directors and executive officers hereinafter named is in each instance based upon information furnished by the person concerned and is as at the date hereof.

| Name, Position with the Corporation and Municipality of Residence | Director/Officer Since | Principal Occupation(s) | Number of Common Shares and/or Restricted Voting Shares Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised |
|---|---|---|---|
| Robert Groesbeck<br>Co-Chief Executive Officer, Co-Chairman of the Board and a Director<br>*Henderson, Nevada* | June 2018 | Co-Chief Executive Officer of the Corporation (2018 – Present); Co-Chief Executive Officer of MMDC (2014 - 2018); and General Counsel, Advisor to C&S Waste Solutions (2013 - Present) | 12,424,697 Common Shares (13.44%)<br>26,125,470 Restricted Voting Shares (44.15%) |
| Larry Scheffler[(1)]<br>Co-Chief Executive Officer, Co-Chairman of the Board and a Director<br>*Henderson, Nevada* | June 2018 | Co-Chief Executive Officer of the Corporation (2018 – Present); Co-Chief Executive Officer of MMDC (2014 - 2018); and Chairman and Founder of Las Vegas Color Graphics, Inc. (1978 - Present) | 12,988,699 Common Shares (14.05%)<br>26,125,470 Restricted Voting Shares (44.15%) |
| Dennis Logan<br>Chief Financial Officer<br>*Toronto, Ontario* | June 2018 | Chief Financial Officer of the Corporation (2018 – Present); Chief Financial Officer, Latin American Minerals (2017 - Present); Chief Financial Officer of BTU Metals Corp. (2017 - Present); and Former Chief Financial Officer, Almonty Industries Inc. (2011 to 2017) | 524,885 Common Shares (less than one percent) |
| William Vargas<br>Vice-President of Finance<br>*Las Vegas, Nevada* | June 2018 | Vice-President of Finance of the Corporation (2018 – Present); Chief Financial Officer and Senior Vice-President of Las Vegas Color Graphics, Inc. (2000 - Present) | 134,157 Common Shares (less than one percent) |
| Chris Wren<br>Vice-President of Operations<br>*North Las Vegas, Las Vegas* | June 2018 | Vice-President of Operations of the Corporation (2018 - Present); Vice-President of Operations of MMDC (2014 - 2018) | 1,629,501 Common Shares (1.76%)<br>2,982,000 Restricted Voting Shares (5.04%) |
| Leighton Koehler<br>General Counsel<br>*Las Vegas, Nevada* | June 2018 | General Counsel of the Corporation (2018 – Present); Attorney/CPA at Dickinson Wright PLLC and Fabian VanCott (2013 - 2018); Senior Revenue Agent at Internal Revenue Service (2007 – 2013) Auditor at Ernst and Young (2004 – 2007) | 107,163 Common Shares (less than one percent) |
| Stephen Markle<br>VP Production<br>*Las Vegas, Nevada* | June 2018 | Vice-President of Production of the Corporation (2017-Present), Analytical Chemist at MM Labs (2015-2017), Analytical Chemist at Procaps Laboratories (2012-2015) | 90,552 Common Shares (less than one percent) |
| David Farris<br>VP Sales & Marketing<br>Henderson, Nevada | June 2018 | Director of Marketing of the Corporation (2016 – present), Supervisor of Marketing & Communications at Lombardi Recreation (2014 – 2016) | 48,484 Common Shares (less than one percent) |

| Name, Position with the Corporation and Municipality of Residence | Director/Officer Since | Principal Occupation(s) | Number of Common Shares and/or Restricted Voting Shares Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised |
|---|---|---|---|
| Michael Harman[(1)(2)(3)]<br>Director<br>*Syosset, New York* | June 2018 | Managing Partner, HRP CPAs and Consultants (2016 – Present)<br>Partner at LLB CPAs (1998-2016) | 103,891 Common Shares (less than one percent) |
| Adrienne O'Neal[(1)(2)(3)]<br>Director<br>*Las Vegas, Nevada* | June 2019 | Owner, Red Rock Counseling, Licensed Marriage & Family Therapist, NV State Board License #1053 (present), Part-Time Instructor, UNLV School of Medicine (present), Board Member, Nevada Board of Examiners for Marriage & Family Therapist and Clinical Professional Counselors, (2017 – present), State of NV Association of Addiction Professionals, Secretary, (2000-2004) | 31,660 Common Shares (less than one percent) |

**Notes:**

(1) Member of the Audit Committee. Mr. Harman is the Chairman.

(2) Member of the Corporate Governance and Nominating Committee. Ms. O'Neal is the Chairman.

(3) Member of the Compensation Committee. Ms. O'Neal is the Chairman.

The directors of the Corporation are elected by holders of Common Shares at each annual general meeting and typically hold office until the next annual general meeting at which time they may be re-elected or replaced. The section entitled "Executive Compensation" in the AIF reflects the current compensation of the Corporation's directors and officers.

The by-laws of the Corporation permit the Board of Directors to appoint directors to fill any casual vacancies that may occur. Individuals appointed as directors to fill casual vacancies on the Board of Directors hold office for the remainder of the term of the director that he or she is replacing, being until the next annual general meeting at which time they may be re-elected or replaced.

As of the date of this Prospectus, the directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over, a total of 28,083,990 Common Shares and 55,232,940 Restricted Voting Shares, representing approximately 54.96% of the equity of the Corporation on a non-diluted basis.

**Principal Shareholders**

The following shareholders beneficially own or exercise control or direction over Common Shares carrying more than 10% of the votes attached to such Common Shares:

| Name | Number of Common Shares | Number of Restricted Voting Shares | Percentage of Equity (non-diluted)[(1)] | Percentage of Equity (fully-diluted)[(2)] | Type of Ownership |
|---|---|---|---|---|---|
| Robert Groesbeck<br>*Henderson, Nevada* | 12,424,697 | 26,125,470 | 25.43 | 23.73 | Indirect |

| Name | Number of Common Shares | Number of Restricted Voting Shares | Percentage of Equity (non-diluted)[(1)] | Percentage of Equity (fully-diluted)[(2)] | Type of Ownership |
|---|---|---|---|---|---|
| Larry Scheffler<br>*Henderson, Nevada* | 12,988,699 | 26,125,470 | 25.80 | 24.07 | Indirect |

**Notes:**

(1) Based on 92,416,944 Common Shares and 59,173,872 Restricted Voting Shares outstanding on a non-diluted basis as at the date of this Prospectus and prior to giving effect to the completion of the Offering.

(2) Based on 106,406,681 Common Shares and 59,173,872 Restricted Voting Shares outstanding on a fully-diluted basis as at the date of this Prospectus and after giving effect to the completion of the Offering (assuming the Over Allotment Option is not exercised).

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

**The Corporation believes it is, and will continue to be treated as, a U.S. corporation for purposes of the Internal Revenue Code of 1986 although for purposes of the Tax Act, the Corporation will be treated as a taxable Canadian corporation. Prospective investors should carefully review the following sections as well as the discussion under the headings "*Certain U.S. Federal Income Tax Considerations to Non-U.S. Holders*" and "*Risk Factors - Risks Relating to Taxes*.**

In the opinion of Wildeboer Dellelce LLP, counsel to the Corporation, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires Units pursuant to the Offering. For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to a purchaser who is a beneficial owner of Common Shares and Warrants acquired pursuant to the Offering and who, for the purposes of the Tax Act, and at all relevant times: (i) deals at arm's length with and is not affiliated with the Corporation or the Underwriters; and (ii) acquires and holds the Unit Shares and Warrants, and will hold the Warrant Shares issuable on the exercise of the Warrants as capital property (a "**Holder**").

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

This section of the summary is not applicable to a Holder: (i) that is a "financial institution" within the meaning of section 142.2 of the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) that has made a "functional currency" reporting election under section 261 of the Tax Act; (iv) an interest in which is, or for whom a Common Share or Warrant would be, a "tax shelter investment" for the purposes of the Tax Act; or (v) that has entered or will enter into a "derivative forward agreement" or "synthetic disposition arrangement", each as defined in the Tax Act, in respect of Common Shares or Warrants. Such Holders should consult their own tax advisors.

This summary is based upon: (i) the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**") in force as of the date hereof; (ii) all specific proposals ("**Proposed Amendments**") to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof; and (iii) counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary assumes that all Proposed Amendments will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal or any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

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

***Allocation of Cost***

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

For its purposes, the Corporation has advised counsel that, of the $2.15 subscription price for each Unit, it intends to allocate $2.07 to each Unit Share and $0.08 to each one-half Warrant and believes that such allocation is reasonable. The Corporation's allocation, however, is not binding on the CRA or on a Holder.

The adjusted cost base to a Holder of each Unit Share comprising a part of a Unit acquired pursuant to the Offering will be determined by averaging the cost of such Unit Share with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the acquisition.

***Exercise of Warrants***

No gain or loss will be realized by a Holder of a Warrant upon the exercise of such Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the adjusted cost base of the Warrant to such Holder, plus the amount paid on the exercise of the Warrant. For the purpose of computing the adjusted cost base to a Holder of each Warrant Share acquired on the exercise of a Warrant, the cost of such Warrant Share must be averaged with the adjusted cost base to such Holder of all other Common Shares (if any) held by the Holder as capital property immediately prior to the exercise of the Warrant.

**Holders Resident in Canada**

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "**Resident Holder**").

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

Additional considerations, not discussed herein, may be applicable to a Resident Holder that is a corporation resident in Canada and is, or becomes, or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is or becomes, as part of a transaction or series of transactions or events that includes the acquisition of Units or Warrant Shares issued on the exercise of Warrants, controlled by a non-resident person or group of non-resident persons not dealing with each other at arm's length for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Resident Holders should consult their own tax advisors with respect to the consequences of acquiring Units or Warrant Shares issued on the exercise of Warrants.

***Expiry of Warrants***

In the event of the expiry of an unexercised Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Holders Resident in Canada — Taxable Capital Gains and Capital Losses*".

***Dividends***

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on the Common Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as "eligible dividends" will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act. There may be limitations on the ability of the Corporation to designate dividends as "eligible dividends".

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. In certain circumstances a taxable dividend received or deemed to be received by a Resident Holder that is a corporation may be treated as a capital gain or proceeds of disposition. Resident Holders should contact their own tax advisors in this regard.

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

Any United States withholding tax paid by or on behalf of a Resident Holder in respect of dividends received from the Corporation generally will be eligible for foreign tax credit or deduction treatment where applicable under the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Dividends received on the Common Shares by a Resident Holder may not be treated as income sourced in the United States for these purposes, and if so, the foreign tax credit or deduction treatment may not be available under the Tax Act. Resident Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions under the Tax Act in respect of any United States withholding tax applicable to dividends on the Common Shares. See discussion below under the heading "*Certain U.S. Federal Income Tax Considerations to Non-U.S. Holders*".

***Dispositions of Common Shares and Warrants***

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

***Taxable Capital Gains and Losses***

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

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

Any United States withholding tax or income tax, as applicable, paid by or on behalf of a Resident Holder in respect of a capital gain realized on a disposition of Common Shares or Warrants generally will be eligible for foreign tax credit treatment where applicable under the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Any capital gains realized on the disposition of Common Shares or Warrants by a Resident Holder may not be treated as income sourced in the United States for these purposes, and if so, the foreign tax credit or deduction treatment may not be available under the Tax Act. Resident Holders should consult their own tax advisors with respect to the availability of any foreign tax credits under the Tax Act in respect of any United States withholding tax applicable to capital gains realized on the Common Shares or Warrants. See discussion below under the heading "*Certain U.S. Federal Income Tax Considerations to Non-U.S. Holders*".

***Other Income Taxes***

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, which includes taxable capital gains and certain dividends.

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

**Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada at any time while they hold the Common Shares or Warrants; and (ii) does not use or hold the Common Shares or Warrants in connection with carrying on a business in Canada ("**Non-Resident Holder**"). This summary does not apply to a Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. Such Non-Resident Holders should consult their own tax advisors.

***Expiry of Warrants***

The tax consequences of the expiry of a Warrant held by a Non-Resident Holder are generally that such Non-Resident Holder will realize a capital loss equal to the Non-Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital losses is discussed in greater detail below under "*— Holders Not Resident in Canada — Dispositions of Common Shares and Warrants*".

Non-Resident Holders should consult their own tax advisors with respect to the expiry of Warrants.

***Dividends***

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

***Dispositions of Common Shares and Warrants***

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share or Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Warrant (as applicable) is, or is deemed to be, "taxable Canadian property" of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention or treaty between Canada and the country in which the Non-Resident Holder is resident.

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

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

Non-Resident Holders whose Common Shares or Warrants are taxable Canadian property should consult their own tax advisors.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS TO NON-U.S. HOLDERS

In the opinion of Holley Driggs Law Firm, counsel to the Corporation, the following is, as of the date of this Prospectus, a summary of certain U.S. federal income tax considerations under the Internal Revenue Code of 1986, as amended (the "**Code**") generally applicable to Non-U.S. Holders (as defined below) arising from and relating to the acquisition, ownership and disposition of Unit Shares acquired as part of the Units, the acquisition, exercise, disposition and lapse of Warrants acquired as part of the Units, and the acquisition, ownership and disposition of Warrant Shares received upon exercise of the Warrants.

### Scope of this Summary

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences related to the acquisition, ownership and disposition of Unit Shares, Warrants and Warrant Shares. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. In addition, this summary does not take into account the individual facts and circumstances of any particular holder that may affect the U.S. federal income tax consequences to such holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular holder. Each holder should consult its own tax advisors regarding the U.S. federal, state and local, and non-U.S. tax consequences related to the acquisition, ownership and disposition of Unit Shares, Warrants and Warrant Shares.

No ruling from the Internal Revenue Service (the "**IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax consequences related to the acquisition, ownership and disposition of Unit Shares, Warrants and Warrant Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF UNITS, UNIT SHARES, WARRANTS OR WARRANT SHARES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

### Authorities

This summary is based on the Code, Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

### U.S. Holders

As used in this summary, the term "U.S. Holder" means a beneficial owner of Unit Shares, Warrants or Warrant Shares, as applicable, acquired pursuant to this prospectus that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity taxable as a corporation) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

**Non-U.S. Holders**

The term "Non-U.S. Holder" means any beneficial owner of Unit Shares, Warrants or Warrant Shares, as applicable, acquired pursuant to this prospectus that is neither a U.S. Holder nor a partnership (including an entity treated as a partnership for U.S. federal income tax purposes).

**Holders Subject to Special U.S. Federal Income Tax Rules**

This summary addresses only persons or entities who hold Unit Shares, Warrants or Warrant Shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment purposes). This summary does not address all aspects of U.S. federal income taxation that may be applicable to Non-U.S. Holders in light of their particular circumstances or to Non-U.S. Holders subject to special treatment under U.S. federal income tax law, such as (without limitation): banks, insurance companies, and other financial institutions; tax-exempt organizations (including private foundations); dealers or traders in securities, commodities or foreign currencies; regulated investment companies; U.S. expatriates or former long-term residents of the United States; persons holding Unit Shares, Warrants or Warrant Shares as part of a straddle, appreciated financial position, synthetic security, hedge, conversion transaction or other integrated investment; persons holding Unit Shares, Warrants or Warrant Shares as a result of a constructive sale; entities that acquire Unit Shares, Warrants and Warrant Shares that are treated as partnerships or are otherwise treated as "pass-through" entities for U.S. federal income tax purposes and partners in such partnerships; real estate investment trusts; U.S. Holders that have a "functional currency" other than the U.S. dollar; holders that acquired Unit Shares, Warrants, or Warrant Shares in connection with the exercise of employee stock options or otherwise as consideration for services; Non-U.S. Holders that are "controlled foreign corporations" or "passive foreign investment companies;" or holders that own, have owned or will own (directly, indirectly or by attribution) 10% or more of value or the total combined voting power of the Corporation's outstanding shares. Non-U.S. Holders that are subject to special provisions under the Code, including holders described immediately above, should consult their own tax advisors regarding the U.S. federal, state and local, and non-U.S. income tax consequences arising from and relating to the acquisition, ownership and disposition of Unit Shares, Warrants and Warrant Shares.

**Tax Consequences Not Addressed**

This summary does not address the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax, or non-U.S. tax consequences to Non-U.S. Holders of the acquisition, ownership and disposition of Unit Shares, Warrants and Warrant Shares. Each Non-U.S. Holder should consult its own tax advisors regarding the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax, and non-U.S. tax consequences of the acquisition, ownership and disposition of Unit Shares, Warrants and Warrant Shares.

**Treatment of the Corporation as a U.S. Corporation**

The Corporation believes that, pursuant to Section 7874 of the Code, even though it is organized as a Canadian corporation, the Corporation should be treated as a U.S. domestic corporation for U.S. federal income tax purposes. Because the Corporation is a taxable corporation in Canada, it is likely to be subject to income taxation in both the United States and Canada on the same income, which in turn, may reduce the amount of income available for distribution to shareholders. The balance of this discussion assumes the Corporation is a U.S. domestic corporation for U.S. federal income tax purposes. However, no tax opinion or ruling from the IRS concerning the U.S. federal income tax characterization of the Corporation has been obtained and none will be requested. Thus, there can be no assurance

that the IRS will not challenge the characterization of the Corporation as a domestic corporation, or that if challenged, a U.S. court would not agree with the IRS. If the Corporation is not treated as a U.S. domestic corporation, then the acquisition, ownership and disposition of the Unit Shares, Warrants and Warrant Shares may have materially different implications for Non-U.S. Holders.

**Characterization of the Units**

For U.S. federal income tax purposes, the acquisition by a Non-U.S. Holder of a Unit will be treated as the acquisition of a "unit" consisting of two components: a component consisting of one Unit Share and a component consisting of one-half of one Warrant. The purchase price for each Unit will be allocated between these two components in proportion to their relative fair market values at the time the Unit is purchased by the Non-U.S. Holder. This allocation of the purchase price for each Unit will establish a Non-U.S. Holder's initial tax basis for U.S. federal income tax purposes in the Unit Share and one-half of one Warrant that comprise each Unit.

For this purpose, the Corporation will allocate $2.07 of the purchase price for each Unit to the Unit Share and $0.08 of the purchase price for each Unit to one-half of one Warrant. However, the IRS will not be bound by such allocation of the purchase price for the Units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each Non-U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the Units.

**Tax Consequences to Non-U.S. Holders With Respect to the Warrants, Unit Shares and Warrant Shares**

***Exercise of Warrants***

A Non-U.S. Holder generally will not recognize gain or loss on the exercise of a Warrant and related receipt of a Warrant Share (unless cash is received in lieu of the issuance of a fractional Warrant Share and certain other conditions are present, as discussed below under "*Sale or Other Taxable Disposition of Unit Shares, Warrants and Warrant Shares*"). A Non-U.S. Holder's initial tax basis in the Warrant Share received on the exercise of a Warrant should be equal to the sum of (i) the Non-U.S. Holder's tax basis in the Warrant plus (ii) the exercise price paid by the Non-U.S. Holder on the exercise of the Warrant. It is unclear whether a Non-U.S. Holder's holding period for the Warrant Share received on the exercise of a Warrant should begin on the date that the Warrant is exercised by the Non-U.S. Holder or the day following the date of the exercise of the Warrant.

***Disposition of Warrants***

A Non-U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Warrant in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such Non-U.S. Holder's tax basis in the Warrant sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Warrant is held for more than one year. Any such gain recognized by a Non-U.S. Holder may be taxable for U.S. federal income tax purposes according to rules discussed under the heading "*Sale or Other Taxable Disposition of Shares of Common Stock, Warrants and Warrant Shares*," below.

**Expiration of Warrants without Exercise**

Upon the lapse or expiration of a Warrant, a Non-U.S. Holder will recognize a loss in an amount equal to such Non-U.S. Holder's tax basis in the Warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the Warrants are held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

**Certain Adjustments to the Warrants**

Under Section 305 of the Code, an adjustment to the number of Warrant Shares that will be issued on the exercise of the Warrants, or an adjustment to the exercise price of the Warrants, may be treated as a constructive distribution to a Non-U.S. Holder of the Warrants if, and to the extent that, such adjustment has the effect of increasing such Non-U.S. Holder's proportionate interest in the Corporation's earnings and profits or assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to its

shareholders). Adjustments to the exercise price of a Warrant made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the Non-U.S. Holders of the Warrants should generally not result in a constructive distribution. See the more detailed discussion of the rules applicable to distributions made by the Corporation under the heading "*Distributions on Shares of Common Stock and Warrant Shares*," below.

**Distributions on Shares of Common Stock and Warrant Shares**

Distributions on Unit Shares and Warrant Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Corporation's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed the Corporation's current and accumulated earnings and profits, they will constitute a return of capital and will first reduce a Non-U.S. Holder's basis in Unit Shares or Warrant Shares, but not below zero, and then will be treated as gain from the sale of stock, which will be taxable according to rules discussed under the heading "Sale or Other Taxable Disposition of Unit Shares, Warrants and Warrant Shares," below. Any dividends paid to a Non-U.S. Holder with respect to Unit Shares or Warrant Shares generally will be subject to withholding tax at a 30% gross rate, subject to any exemption or lower rate under an applicable income tax treaty if the Non-U.S. Holder provides the Corporation with a properly executed IRS Form W-8BEN or W-8BEN-E, as applicable, unless the Non-U.S. Holder provides the Corporation with a properly executed IRS Form W-8ECI (or other applicable form) relating to income effectively connected with the conduct of a trade or business within the United States. In addition, if the Corporation is treated as a "United States Real Property Holding Corporation" ("**USRPHC**") for U.S. federal income tax purposes, the Corporation may be required to withhold 15% of any distribution that exceeds the Corporation's current and accumulated earnings and profits. A corporation is generally classified as a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50 percent of the sum of: (i) the fair market value of the corporation's U.S. real property interests; (ii) corporation's real property interests located outside the United States, plus (iii) corporation's other assets used or held for use in a trade or business

Dividends that are effectively connected with the conduct of a trade or business within the United States and includible in the Non-U.S. Holder's gross income are not subject to U.S. withholding tax (assuming proper certification and disclosure), but instead are subject to U.S. federal income tax on a net income basis at applicable graduated U.S. federal income tax rates. Any such effectively connected income received by a non-U.S. corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate, subject to any exemption or lower rate as may be specified by an applicable income tax treaty.

A Non-U.S. Holder of Unit Shares or Warrant Shares who wishes to claim the benefit of an applicable income tax treaty rate or exemption is required to satisfy certain certification and other requirements. If a Non-U.S. Holder is eligible for an exemption from or a reduced rate of U.S. withholding tax pursuant to an income tax treaty, it may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS on a timely filed U.S. tax return. Non-U.S. Holders should consult their own tax advisors to determine the applicable income tax treaty and related exemption from 30% withholding, where applicable.

**Sale or Other Taxable Disposition of Unit Shares, Warrants and Warrant Shares**

In general, a Non-U.S. Holder of Unit Shares, Warrants or Warrant Shares will not be subject to U.S. federal income tax on gain recognized from a sale, exchange, or other taxable disposition of such Unit Shares, Warrants or Warrant Shares, unless:

- the gain is effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder (and, where an income tax treaty applies, is attributable to a U.S. permanent establishment of the Non-U.S. Holder), in which case the Non-U.S. Holder will be subject to tax on the net gain from the sale at regular graduated U.S. federal income tax rates, and if the Non-U.S. Holder is a corporation, may be subject to an additional U.S. branch profits tax at a gross rate equal to 30% of its effectively connected earnings and profits for that taxable year, subject to any exemption or lower rate as may be specified by an applicable income tax treaty;

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, in which case the Non-U.S. Holder will be subject to a 30% tax on the gain from the sale, which may be offset by U.S. source capital losses; or

- the Corporation is or has been a USRPHC for U.S. federal income tax purposes at any time during the shorter of the Non-U.S. Holder's holding period or the 5-year period ending on the date of disposition of Unit Shares, Warrants or Warrant Shares; provided, with respect to the Unit Shares and Warrant Shares, that as long as the Unit Shares are regularly traded on an established securities market as determined under the Treasury Regulations (the "Regularly Traded Exception"), a Non-U.S. Holder would not be subject to taxation on the gain on the sale of Unit Shares or Warrant Shares under this rule unless the Non-U.S. Holder has owned more than 5% of Unit Shares at any time during such 5-year or shorter period (a "5% Stockholder"). In determining whether a Non-U.S. Holder is a 5% Stockholder, the Non-U.S. Holder's Warrants may be included in such determination. In addition, certain attribution rules apply in determining ownership for this purpose. The Corporation does not believe that it is currently a USRPHC and does not anticipate becoming one in the foreseeable future. The Corporation can provide no assurances that the Unit Shares, Warrants or Warrant Shares will meet the Regularly Traded Exception at the time a Non-U.S. Holder purchases such securities or sells, exchanges or otherwise disposes of such securities. Non-U.S. Holders should consult with their own tax advisors regarding the consequences to them of investing in a USRPHC. As a USRPHC, a Non-U.S. Holder will be taxed as if any gain or loss were effectively connected with the conduct of a trade or business as described above in "Distributions on Shares of Common Stock and Warrant Shares" in the event that (i) such holder is a 5% Stockholder, or (ii) the Regularly Traded Exception is not satisfied during the relevant period. To the extent the Corporation is treated as a USRPHC, a buyer of Unit Shares, Warrants, or Warrant Shares may be required to withhold U.S. federal income tax at a rate of 15% of the amount realized on the applicable disposition.

**Information Reporting and Backup Withholding**

Generally, the Corporation must report annually to the IRS and to Non-U.S. Holders the amount of dividends paid on the Unit Shares and Warrant Shares to Non-U.S. Holders and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty, tax information exchange agreement, or other applicable arrangement.

In general, a Non-U.S. Holder will not be subject to backup withholding with respect to payments of dividends made by the Corporation, provided the Corporation receives a statement meeting certain requirements to the effect that the Non-U.S. Holder is not a U.S. person and the Corporation does not have actual knowledge or reason to know that the holder is a U.S. person, as defined under the Code, that is not an exempt recipient. The requirements for the statement will be met if (i) the Non-U.S. Holder provides its name, address and U.S. taxpayer identification number, if any, and certifies, under penalty of perjury, that it is not a U.S. person (which certification may be made on the applicable IRS Form W-8BEN or W-8BEN-E) or (ii) a financial institution holding the instrument on behalf of the Non-U.S. Holder certifies, under penalty of perjury, that such statement has been received by it and furnishes the Corporation or the paying agent with a copy of the statement. In addition, a Non-U.S. Holder will be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of a sale of Unit Shares, Warrants and Warrant Shares within the United States or conducted through certain U.S.-related financial intermediaries, unless the statement described above has been received, and the Corporation does not have actual knowledge or reason to know that a holder is a U.S. person, as defined under the Code, that is not an exempt recipient, or the Non-U.S. Holder otherwise establishes an exemption. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, if any, provided the required information is furnished on a timely filed U.S. tax return with the IRS.

**FATCA Withholding**

Sections 1471 through 1474 of the Code ("**Foreign Account Tax Compliance Act**" or "**FATCA**") may impose withholding at a rate of 30% in certain circumstances on dividends in respect of Unit Shares, Warrants and Warrant Shares, which are held by or through certain foreign financial institutions (including investment funds), unless any such institution (1) enters into, and complies with, an agreement with the IRS to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments, or (2) if required under an intergovernmental agreement between the United States and an applicable foreign country, reports such information to its local tax authority, which will exchange such information with the IRS. An intergovernmental

agreement between the United States and an applicable foreign country may modify these requirements. Accordingly, the entity through which Unit Shares, Warrants and Warrant Shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of Unit Shares, Warrants and Warrant Shares held by a holder that is a non-financial non-U.S. entity that does not qualify under certain exceptions will generally be subject to withholding at a rate of 30%, unless such entity either (1) certifies to the Corporation or the applicable withholding agent that such entity does not have any "substantial United States owners" or (2) provides certain information regarding the entity's "substantial United States owners," which will in turn be provided to the U.S. Department of Treasury.

FATCA withholding also potentially applies to payments of gross proceeds from the sale or other taxable disposition of Unit Shares, Warrants and Warrant Shares. Proposed Treasury Regulations, however, would eliminate FATCA withholding on such payments, and the U.S. Treasury Department has indicated that taxpayers may rely on this aspect of the proposed Treasury Regulations until final Treasury Regulations are issued.

Non-U.S. Holders should consult with their own tax advisors regarding the possible implications of the foregoing rules on their holding of Unit Shares, Warrants and Warrant Shares.

## RISK FACTORS

An investment in the Units is speculative and involves certain risks. Before making an investment decision, prospective purchasers of Units should carefully review and consider all the information described in this Prospectus and the documents incorporated by reference herein (including the AIF and subsequently filed documents incorporated by reference herein), including the risk factors described herein and therein (including the section entitled "Risk Factors" in the AIF). Some of the risk factors described herein and in the documents incorporated by reference herein (including subsequently filed documents incorporated by reference herein) are interrelated and, consequently, investors should treat such risk factors as a whole. If any event arises from these risks occurs, the Corporation's business, prospects, financial condition, results of operations and cash flows, and an investment in the Units, could be materially adversely affected. Additional risks and uncertainties of which the Corporation is currently unaware or that are unknown or that the Corporation currently deems to be immaterial could have a material adverse effect on the Corporation's business, prospects, financial condition, results of operations and cash flows. The Corporation cannot provide any assurances that it will successfully address any or all of these risks.

### Risks Related to the Offering

#### *Completion of the Offering*

The completion of the Offering remains subject to a number of conditions. There can be no certainty that the Offering will be completed. Failure by the Corporation to satisfy all of the conditions precedent to the Offering would result in the Offering not being completed. If the Offering is not completed, the Corporation may not be able to raise the funds required for the purposes contemplated under "*Use of Proceeds*" from other sources on commercially reasonable terms or at all.

#### *Discretion in the Use of Proceeds*

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

#### *Additional Financing*

The continued development of the Corporation will require additional financing. There is no guarantee that the Corporation will be able to achieve its business objectives. The Corporation expects to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Corporation. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against

assets of the Corporation and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Corporation may require additional financing to fund its operations until positive cash flow is achieved. See "*Additional Issuance of Common Shares May Result in Dilution*".

***No Current Market for Warrants***

The Corporation has given notice to the CSE to list the Warrants. Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE. While the Corporation will use its reasonable efforts to list the Warrants on the CSE, there is no assurance that such listing will be obtained. There is currently no market through which the Warrants may be sold and no market may develop for the Warrants and purchasers may not be able to resell such Warrants purchased under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation.

***Volatile Market Price of the Common Shares***

The market price of the Common Shares cannot be predicted and has been and may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or competitive, regulatory or economic trends, adverse changes in the economic performance or market valuations of companies in the industry in which the Corporation operates, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments or other material public announcements by the Corporation or its competitors or government and regulatory authorities, operating and share price performance of the companies that investors deem comparable to the Corporation, addition or departure of the Corporation's executive officers and other key personnel, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

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

***Additional Issuance of Common Shares May Result in Dilution***

The Corporation may issue additional securities in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The board of directors of the Corporation has discretion to determine the price and the terms of further issuances. As part of the Offering, the Corporation expects to issue 4,660,000 Units (or 5,359,000 Units if the Over-Allotment Option is exercised in full). Except as described under the "Plan of Distribution", the Corporation may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable or exercisable for Common Shares). Moreover, additional Common Shares will be issued by the Corporation on the exercise, conversion or redemption of certain outstanding securities of the Corporation, in accordance with their terms. The Corporation may also issue Common Shares to finance future acquisitions. The Corporation cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its revenue per share.

**Risks Related to the Business of the Corporation**

***COVID-19 Pandemic***

The Corporation cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Corporation. While the precise impact of the COVID-19 virus on the Corporation remains unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, labour productivity, operations, mobility of people as a result of travel restrictions and border closures and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and expected timelines and other factors relevant to the Corporation.

Management is committed to keeping the Planet 13 Superstore open but continues to monitor the situation on a daily basis and is prepared to take necessary actions in response to directives of government and public health authorities, and any actions that are in the best interests of its team members, customers, and other stakeholders. As described in this Prospectus and in the AIF, the Corporation has already taken and will continue to take actions to mitigate the effects of COVID-19 on its operations, such as the expansion of its fleet of delivery vehicles. while protecting the health and safety of its team members, customers and other stakeholders.

Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact demand for the Corporation's products. The Corporation relies on consumers' demand for the cannabis products it sells in its Planet 13 Superstore. Consumer spending may decline across cannabis retail. Such a situation could adversely affect the Corporation's business, financial condition, liquidity and results of operations. A limited or general decline in consumption of cannabis products could occur in the future due to a variety of factors related to the COVID-19 pandemic, including: (i) a continued decline in economic or geopolitical conditions, including increased or prolonged unemployment, resulting in reduced consumer disposable income; (ii) concern about the health consequences of consuming cannabis products given the increased awareness of health concerns during this time; and (iii) a general decline in consumers leaving their homes and favouring online shopping, resulting in less foot traffic in the Planet 13 Superstore.

Although the Corporation has yet to experience a material decline in consumer spending, the ultimate impact is currently unknown and may become significant as consumers continue to self isolate and experience financial hardship from prolonged unemployment.

***Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act***

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada) and the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To date, a total of 33 states, plus the District of Columbia, have legalized medical cannabis in some form, and 11 of those states have legalized recreational cannabis.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from former Attorney General Jeff Sessions by referencing federal law enforcement priorities set by former Attorney General Jeff Sessions. If the Department of Justice pursues prosecutions, then the Corporation could face: (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis; or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

With the repeal of the Cole Memo by former Attorney General Jeff Sessions, the Department of Justice could allege that the Corporation and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the

federal prosecutor would seek to seize the assets of the Corporation, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Corporation's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Additionally, there can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Corporation and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

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 Corporation, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded common shares. In addition, it is difficult 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.

***Investors in the Corporation and its directors, officers and employees may be subject to entry bans into the United States***

Because cannabis remains illegal under United States federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for United States border guards to deny entry.

On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Corporation), who are not United States citizens face the risk of being barred from entry into the United States for life. As described above, on October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

***Some of the Corporation's planned business activities, while compliant with applicable U.S. state and local law, are illegal under U.S. federal law***

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Since the possession and use of cannabis and certain drug paraphernalia is illegal under U.S. federal law, the Corporation may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and

the products that it intends to provide. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Corporation, including, but not limited to, aiding and abetting another's criminal activities. The United States federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Corporation may be forced to cease operations and be restricted from operating in the U.S. and its investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

***There is uncertainty surrounding the Trump Administration and the United States Attorney General and their influence and policies in opposition to the cannabis industry as a whole***

As discussed under the heading "*Description of the U.S. Legal Cannabis Industry*" in this Prospectus, as a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis business in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memo.

In February 2017, the Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States. Names of those serving on the task force have not been published, and the group was supposed to deliver its recommendations by July 27, 2017. The recommendations of the group were not made public on that date, but former Attorney General Jeff Sessions issued a public statement which said he had received recommendations "on a rolling basis" and he had already "been acting on the task force's recommendations to set the policy of the department." Based on previous public statements made by former Attorney General Jeff Sessions, there had been some expectation that the task force may make some recommendations with respect to laws relating to cannabis. However, to date there has been no public announcement in this regard from current Attorney General William Barr.

***The Corporation is operating at a regulatory frontier***

The cannabis industry is a new industry that may not succeed. Should the federal government in the U.S. change course and decide to prosecute those dealing in medical or other cannabis under applicable law, there may not be any market for the Corporation's products and services in the U.S. Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Corporation to succeed. The Corporation is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

***The Corporation's operations in the United States cannabis market may become the subject of heightened scrutiny***

The Corporation's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and in the United States. As a result, the Corporation 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 Corporation's ability to invest in and/or operate in the United States or any other jurisdiction.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets.

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.[6] The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review

[6] Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Retrieved from https://www.cds.ca/resource/en/249/.

the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban 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 the Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid 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.

***Regulatory scrutiny of the Corporation's industry may negatively impact its ability to raise additional capital***

The Corporation's business activities rely on newly established and developing laws and regulations in the State of Nevada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes, including changes in the interpretation and/or administration of applicable regulatory requirements may adversely affect the Corporation's profitability or cause it to cease operations entirely. Any determination that the Corporation's business fails to comply with Nevada's cannabis regulations would require the Corporation either to significantly change or terminate its business activities, which would have a material adverse effect on the Corporation's business.

The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, the State of Nevada the State of California or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation's industry may adversely affect the business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Corporation.

***The Corporation, and/or contract counterparties with respect to the Corporation which are directly engaged in the trafficking of cannabis, may incur significant tax liabilities due to limitations on tax deductions and credits under section 280E of the Code***

Section 280E of the Code prohibits businesses from taking deductions or credits in carrying on any trade or business consisting of trafficking in controlled substances which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from underpayment of taxes due to the application of Section 280E. Under a number of cases, the United States Supreme Court has held that income means gross income (not gross receipts). Under this reasoning, the cost of goods sold ("**COGS**") is permitted as a reduction in determining gross income, notwithstanding Section 280E. Although proper reductions for COGS are generally allowed to determine gross income, the scope of such items has been the subject of debate, and deductions for significant costs may not be permitted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favourable to cannabis businesses. Thus, the Corporation, to the extent of its "trafficking" activities (if applicable), and/or key contract counterparties directly engaged in trafficking in cannabis, may be subject to United States federal tax, without the benefit of deductions or credits. To the extent such tax limitations create a financial burden on contract counterparties, such burdens may impact the ability of such counterparties to make full or timely payment to the Corporation, which would have a material adverse effect on the Corporation's business.

***State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Corporation's proposed products and brands will be approved for sale and distribution in any state***

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Corporation intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

In the event the Corporation expands into other U.S. jurisdictions, it plans to undertake no cross-border commerce between states until the federal regulatory environment permits such commerce to occur.

***The Corporation may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Corporation to operate***

As discussed under the heading "*Description of the U.S. Legal Cannabis Industry*" in this Prospectus, in February 2014, the FinCEN issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Corporation may have limited or no access to banking or other financial services in the United States and may have to operate the Corporation's business on an all-cash basis. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned.

***Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes***

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Corporation may also be exposed to the foregoing risks. In the event that any of the Corporation's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Corporation has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

***Constraints on marketing products***

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Corporation's ability to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and operating results could be adversely affected.

***U.S. federal trademark and patent protection may not be available for the intellectual property of the Corporation due to the current classification of cannabis as a Schedule I controlled substance***

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark regarding the intellectual property of a business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant

state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

***The Corporation's contracts may not be legally enforceable in the U.S.***

Because the Corporation's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Corporation may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

***Risks inherent in an agricultural business***

The Corporation's business involves the growing of cannabis, an agricultural product. As such, there are many similar risks as with any agricultural commodity, such as fluctuations in pricing. The Corporation will be subject to other risks inherent in the agricultural business, such as insects, plant diseases and similar cultivation risks. Although the Corporation expects that any such growing will be completed under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

***Unfavorable publicity or consumer perception***

The Corporation believes the medical and recreational cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis distributed to such consumers. Consumer perception of the Corporation's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis or derivative 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 medical or recreational 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 the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for the Corporation's products, and the Corporation's business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Corporation's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. Public opinion and support for medical and recreational cannabis 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 cannabis as opposed to legalization in general).

***The Corporation is a developing company with limited operating history***

As the Corporation has only recently begun to generate revenue and opened the Planet 13 Superstore on November 1, 2018, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact that the Corporation intends to operate in the cannabis industry, which is rapidly transforming. There is no guarantee that the Corporation's products or services will continue to be attractive to current and potential consumers.

***Research and Market Development***

Although the Corporation is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

The Corporation must rely largely 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 and adult-use cannabis industry in the State of Nevada.

The Corporation is operating its business in a relatively new medical and adult-use cannabis industry and market. Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the recreational or medical cannabis industry or market could have a material adverse effect on the Corporation's business, financial condition and results of operations. Due to the early stage of the regulated cannabis industry, forecasts regarding the size of the industry and the sales of products by the Corporation are inherently difficult to prepare with a high degree of accuracy and reliability. 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 Corporation.

***Reliance on Management***

The success of the Corporation 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 employees. Qualified individuals are in high demand, and the Corporation may incur significant costs to attract and retain them. In addition, the Corporation's lean management structure may be strained as the Corporation pursues growth opportunities in the future. The loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Corporation's ability to execute on its business plan and strategy, and the Corporation may be unable to find adequate replacements on a timely basis, or at all.

The Corporation's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growth and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Corporation might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Corporation may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

***Operation Permits and Authorizations***

The Corporation may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its businesses. In addition, the Corporation may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Corporation's ability to operate in the cannabis industry, which could have a material adverse effect on the Corporation's business.

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

The Corporation'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 against the Corporation. Litigation, complaints, and enforcement actions involving either the Corporation or its subsidiaries could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Corporation's future cash flows, earnings, results of operations and financial condition.

***Product Liability***

The Corporation manufactures, processes and distributes products designed to be ingested by humans, and therefore faces 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 the Corporation could result in increased costs, could adversely affect the Corporation's reputation, and could have a material adverse effect on the results of operations and financial condition of the Corporation.

***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 the Corporation. 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, the relevant investment entity 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 the Corporation.

***Risks Associated with Acquisitions***

As part of the Corporation's overall business strategy, the Corporation intends to pursue select strategic acquisitions, vertical integrations and a stronger presence in both existing and new jurisdictions. The success of any such acquisitions will depend, in part, on the ability of the Corporation to realize the anticipated benefits and synergies from integrating the applicable acquired entities or assets into the businesses of the Corporation. Future acquisitions may expose it to potential risks, including risks associated with: (i) the integration of new operations, services and personnel; (ii) unknown or undisclosed liabilities; (iii) the diversion of resources from the Corporation's existing businesses; (iv) potential inability to generate sufficient revenue to offset new costs; (v) the expenses of acquisitions; and (vi) the potential loss of or harm to relationships with both employees and consultants and existing customers, vendors, suppliers, contractors and other applicable parties resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

While the Corporation intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such entities or assets for which the Corporation is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Corporation's financial performance and results of operations. The Corporation could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Corporation's revenue per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Common Shares.

The Corporation may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such strategic acquisition with its existing operations. If integration is not managed successfully by the Corporation's management, the Corporation may experience interruptions in its business activities, deterioration in its employee, customer or other relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Corporation's business, prospects, financial condition, results of operations and cash flows.

***Some of the Corporation's planned business activities are contingent upon the enactment of new legislation in the State of Nevada***

The Corporation's objective is to build out a portion of the Planet 13 Superstore for use as an on-site cannabis consumption lounge as part of its phased expansion plans. In order to operate a consumption lounge, the Corporation is reliant on the Nevada CCB passing the required regulations to enable on-site consumption lounges. There is no guarantee that CCB will pass the required legislation, and there is no guarantee that if the legislation is passed that the Corporation will be awarded the necessary licenses to operate a consumption lounge. Should the Corporation not be awarded the necessary licenses, it may be unable to position the build-out Phase II space at the Planet 13 Superstore to its highest and best intended use.

***Nevada is updating its regulatory framework in accordance with a revised statutory framework effective on July 1, 2020***

The Corporation, through its subsidiary MMDC, holds privileged licenses issued under the previous NRS 453A and NRS 453D statutory framework in Nevada. Starting on July 1, 2020, the NRS 453A and 453D statutory framework expires and is replaced by NRS 678A, B, C and D, under which framework the MMDC licenses will continue in full force and effect. Nevada has established a Cannabis Compliance Board, or CCB, who oversees the regulation of

cannabis licenses and regulation in Nevada. The CCB is currently promulgating regulations which may impact the processes, procedures, administration, taxation, costs, and generally the operations of MMDC. While the Corporation is closely following the draft regulation process and providing public comment, the enacted form of the final regulations and regulatory impact on the licenses and operations therefrom is not currently known.

***California is considering a revised statutory framework for agency consolidation and tax simplification in 2021***

The Corporation, through its subsidiary Newtonian, holds the California License issued under the Medicinal and *Adult-Use Cannabis Regulation and Safety Act* (MAUCRSA) statutory framework in California. The Administration of Governor Gavin Newsom is currently promulgating regulations to consolidate the California Licensing Agencies into a single Department of Cannabis Control in the 2021-22 budget, which may impact the processes, procedures, administration, and generally the operations of commercial cannabis licenses in California. The Administration is also considering tax simplification in 2021, which would shift the responsibilities of tax collection from the final distributor to the first for cultivation, and for the retail excise tax from the distributor to the retailer. While the Corporation is closely following the Administration's budget proposals and revisions and will provide public comment, the enacted form of the uniform licensing protocols and regulatory clean-up as part of a short-term and longer term strategy are unknown and the regulations and regulatory impact on the licenses and operations therefrom is not currently known.

***California on-site consumption***

The Corporation's objective is to build out a portion of the Santa Ana Premise for use as an on-site cannabis consumption lounge as part of its phased expansion plans. In order to operate a consumption lounge, the Corporation is reliant on the City of Santa Ana permitting on-site consumption under the existing regulatory framework or passing new regulations to enable on-site consumption lounges. MAUCRSA currently allows local municipalities and jurisdictions to authorize the on-site consumption of cannabis by state-licensed retailers and/or microbusinesses. There is no guarantee that the City of Santa Ana will permit or pass the required legislation to permit on-site cannabis consumption, and there is no guarantee that if the legislation is passed that the Corporation will be awarded the necessary permits to operate a consumption lounge. Should the Corporation not be awarded the necessary permits, it may be unable to position a portion of the build-out space at the Santa Ana Premise to its highest and best intended use.

***Control of the Corporation***

Messrs. Robert Groesbeck and Larry Scheffler, the Co-Chief Executive Officers, Co-Chairmen, promoters and directors of the Corporation, are also the principal shareholders of the Corporation. Mr. Groesbeck owns or controls, directly or indirectly, 12,424,697 Common Shares and 26,125,470 Restricted Voting Shares, and Mr. Scheffler owns or controls, directly or indirectly, 12,988,699 Common Shares and 26,125,470 Restricted Voting Shares, representing, in the aggregate, approximately 51.23% of the equity of the Corporation (on a non-diluted basis) as a the date hereof. By virtue of their status as principal shareholders of the Corporation, and by each being a director and/or executive officer of the Corporation, each of Messrs. Groesbeck and Scheffler have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors (holders of Restricted Voting Shares shall be entitled to receive notice of and to attend any meeting of shareholders of Corporation and to exercise one vote for each Restricted Voting Share held at all meetings of shareholders, other than with respect to the vote for the election or removal of directors of the Corporation), amendments to the Corporation's articles and by-laws, mergers, business combinations and the sale of substantially all of the Corporation's assets. As a result, the Corporation could be prevented from entering into transactions that could be beneficial to the Corporation or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by either Messrs. Groesbeck and Scheffler of a substantial number of Common Shares could cause the market price of the Common Shares to decline.

***The Corporation is a Holding Company***

The Corporation is a holding company and the vast majority of its assets are the capital stock of MMDC. As a result, investors in the Corporation are subject to the risks attributable to MMDC. As a holding company, the Corporation conducts substantially all of its business through MMDC, which generates substantially all of its revenues. Consequently, the Corporation's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of MMDC and the distribution of those earnings to the Corporation. The ability of MMDC to pay dividends and other distributions will depend on its operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by MMDC and contractual restrictions contained in the instruments governing its debt. In the event of a bankruptcy, liquidation or

reorganization of MMDC, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of MMDC before the Corporation.

***The Corporation's officers and directors may be engaged in a range of business activities resulting in conflicts of interest***

Although certain officers of the Corporation are bound by non-competition agreements limiting their ability to enter into competing and/or conflicting ventures or businesses during, and a for period of 12 months after, their employment with the Corporation, the Corporation may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Corporation's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Corporation. In some cases, the Corporation's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Corporation's business and affairs and that could adversely affect the Corporation's operations. These business interests could require significant time and attention of the Corporation's executive officers and directors.

In addition, the Corporation may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Corporation may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation

***Leased Premises***

The Corporation currently leases its production and cultivation facility, the Planet 13 Superstore and its "Medizin" dispensary in Las Vegas, Nevada. Each of the leases specifically contemplates carrying on cannabis cultivation, sales and other licensed cannabis activities pursued by the Corporation and its subsidiaries. While the Corporation currently has a good relationship with each of its landlords, a termination of any of the leases by any of its respective landlords could have a material adverse effect on the Corporation's business, financial condition and prospects.

**Risks Relating to Taxes**

***U.S. Domestic Corporation for U.S. Federal Income Tax Purposes***

The Corporation will be treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the Code. As a result, the Corporation will be subject to U.S. income tax on its worldwide income and any dividends paid by the Corporation to Non-U.S. Holders (as defined in the discussion under "*Certain U.S. Federal Tax Considerations to Non-U.S. Holders*") will be subject to U.S. federal income tax withholding at a 30% rate or such lower rate as provided in an applicable treaty. The Corporation will continue to be treated as a U.S. domestic corporation for U.S. federal tax purposes.

In addition, Section 382 of the Code contains rules that limit for U.S. federal income tax purposes the ability of a corporation that undergoes an "ownership change" to utilize its net operating losses (and certain other tax attributes) existing as of the date of such ownership change. Under these rules, a corporation is treated as having had an "ownership change" if there is more than a 50% increase in stock ownership by one or more "five percent shareholders," within the meaning of Section 382 of the Code, during a rolling three-year period. The Corporation does not have any net operating loss carry forwards or research and development credit carry forwards as of December 31, 2017 that would be subject to Section 382 of the Code.

Furthermore, the Corporation will be subject to Canadian income tax on its worldwide income. Consequently, it is anticipated that the Corporation may be liable for both U.S. and Canadian income tax, which could have a material adverse effect on its financial condition and results of operations.

Because the Common Shares are treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a Non-U.S. Holder of Common Shares.

***Withholding Tax on Dividends***

Dividends received by holders of Common Shares who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax. A foreign tax credit under the Tax Act in respect of such U.S. withholding taxes may not be available to such holder. See "*Certain Canadian Federal Income Tax Considerations — Holders Resident in Canada — Dividends*".

Dividends received by Non-Resident Holders of Common Shares who are U.S. Holders (as such term is described above) will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Since the Corporation will be considered to be a U.S. domestic corporation for U.S. federal income tax purposes, dividends paid by the Corporation will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. See "*Certain U.S. Federal Tax Considerations to Non-U.S. Holders*".

**A holder that is both a Non-Resident Holder and a Non-U.S. Holder may be subject to (a) Canadian withholding tax (see "*Certain Canadian Federal Income Tax Considerations*"), and (b) United States withholding tax (see "*Certain U.S. Federal Income Tax Considerations to Non-U.S. Holders*") on dividends received on the Common Shares. Non-Resident Holders and Non-U.S. Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions in respect of any Canadian or United States withholding tax applicable to dividends on the Common Shares.**

The foregoing discussion is subject in its entirety to the summaries set forth in "*Certain Canadian Federal Income Tax Considerations*" and "*Certain U.S. Federal Tax Considerations to Non-U.S. Holders*".

***U.S. Tax Classification – United States Real Property Holding Corporation***

The Corporation is treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874 of the Code. As a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Corporation's Non-U.S. Holders upon a disposition of Common Shares generally depends on whether the Corporation is classified as a USRPHC. The Corporation does not believe that it is currently a USRPHC and does not anticipate becoming one in the foreseeable future. However, the Corporation has not sought and does not intend to seek formal confirmation of its status as a non-USRPHC from the IRS. If the Corporation ultimately is determined by the IRS to constitute a USRPHC, its Non-U.S. Holders may be subject to U.S. federal income tax on any gain associated with the disposition of the Common Shares. See "*Certain U.S. Federal Tax Considerations to Non-U.S. Holders*".

***U.S. Federal Income Tax Treatment of the Corporation***

Under U.S. federal income tax law, Code Section 280E, as amended, prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the Controlled Drugs and Substances Act). The U.S. Internal Revenue Service ("**IRS**") has invoked Code Section 280E in tax audits of various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several cases pending before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Code Section 280E favorable to cannabis businesses.

U.S. states and localities may impose excise, cultivation, sales and use and other similar taxes on cannabis businesses or their customers. For example, California law imposes an excise tax to be paid by the end-consumer and the dispensary and a cultivation tax to be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to any sales and use tax imposed at the state and local level. The tax regime that is applicable to the Corporation's business will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Corporation's expected business plan unprofitable.

## MATERIAL CONTRACTS

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

1. the Share Exchange Agreement;

2. the Definitive Agreement;

3. an underwriting agreement among the Corporation, Beacon Securities Limited, Canaccord Genuity Corp and Cormark Securities Inc. dated November 14, 2018 in respect of the offering by the Corporation of 8,735,250 units for aggregate gross proceeds of $26,392,750 completed on December 4, 2018 (the "**2018 Bought Deal Offering**");

4. a warrant indenture dated as of December 4, 2018 between the Corporation and Odyssey Trust Company in connection with the 2018 Bought Deal Offering;

5. the warrant indenture dated as of April 26, 2018 among Finco, Carpincho Capital Corp. and Odyssey Trust Company in connection with Finco's private placements of subscription receipts for aggregate gross proceeds of approximately $25.1 million completed over the course of three tranches on April 26, May 18 and May 23, 2018;

6. the State of Nevada Retail Marijuana Store License (2548 W. Desert Inn Road, Las Vegas, Nevada 89118)[7];

7. the State of Nevada Medical Marijuana Dispensary Registration Certificate (2548 W. Desert Inn Road, Las Vegas, Nevada 89118) [7]

8. the State of Nevada Medical Marijuana Cultivation Facility License (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);

9. the State of Nevada Medical Marijuana Production Registration Certificate (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);

10. the State of Nevada Marijuana Product Manufacturing License (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);

11. the State of Nevada Medical Marijuana Cultivation Registration Certificate (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);

12. the State of Nevada Medical Marijuana Production Registration Certificate (101 Airport Road, Beatty, Nevada 89003);

13. the State of Nevada Marijuana Cultivation Facility License (101 Airport Road, Beatty, Nevada 89003);

14. the Planet 13 Superstore Lease;

15. the cultivation and production facility lease located at 4280 Wagon Trail Avenue, Las Vegas, Nevada 89118;

16. an acquisition agreement entered into among the Corporation, BLC Management Company, LLC, Newtonian, Kyle Desmet, Warner and Sarah Sibia on December 20, 2019, as amended on April 16, 2020 and further amended on May 20, 2020, in connection with the Santa Ana Acquisition;

17. the California License (3400 Warner Avenue, #F-1, Santa Ana, California 92704); and

18. the Santa Ana Permit (3400 Warner Avenue, #F-1, Santa Ana, California 92704).

[7] Transferred from 4850 W. Sunset Rd., Suite 130, Las Vegas, NV 89118 location effective October 31, 2018.

## LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon on behalf of the Corporation by Wildeboer Dellelce LLP, and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. Certain U.S. tax matters in connection with this Offering will be passed upon by Holley Driggs Law Firm. As of the date hereof, Wildeboer Dellelce LLP, and its partners and associates, Fasken Martineau DuMoulin LLP, and its partners and associates, Holley Driggs Law Firm and its partners and associates, and Leighton R. Koehler, beneficially own, directly or indirectly, in their respective groups, less than 1% of any class of outstanding securities of the Corporation.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

Davidson & Company LLP is the auditor of the Corporation and has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations. MNP LLP, the former auditor of the Corporation, has performed the audit in respect of certain financial statements incorporated by reference herein. As of the date hereof, Davidson & Company LLP, and its partners and associates, and MNP LLP, and its partners and associates, beneficially own, directly or indirectly, in their respective groups, less than 1% of any class of outstanding securities of the Corporation.

The transfer agent and registrar for the Common Shares is Odyssey Trust Company at its principal offices in Calgary, Alberta.

## PROMOTERS

Robert Groesbeck and Larry Scheffler, the Co-Chief Executive Officers, Co-Chairmen and each a director of the Corporation, are promoters of the Corporation. As of June 19, 2020: (i) Mr. Groesbeck beneficially owns, or controls or directs, directly or indirectly, a total of 12,424,697 Common Shares, 26,125,470 Restricted Voting Shares and 744,346 RSUs, representing approximately 23.73% of the equity of the Corporation on a fully diluted basis; and (ii) Mr. Scheffler beneficially owns, or controls or directs, directly or indirectly, a total of 12,988,699 Common Shares, 26,125,470 Restricted Voting Shares and 744,346 RSUs, representing approximately 24.07% of the equity of the Corporation on a fully diluted basis. Other than as disclosed in this section or elsewhere in this Prospectus, no person who was a promoter of the Corporation:

- received anything of value directly or indirectly from the Corporation or a subsidiary within the last two years;
- sold or otherwise transferred any asset to the Corporation or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority within the last two years;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision within the last two years; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

## INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in this Prospectus:

- Wildeboer Dellelce LLP is the Corporation's counsel with respect to Canadian legal matters herein;
- Fasken Martineau DuMoulin LLP is the Underwriters' counsel with respect to Canadian legal matters herein;
- Holley Driggs Law Firm is the Corporation's counsel with respect to United States tax matters herein;
- Davidson & Company LLP is the Corporation's auditor and audited the annual financial statements for the Corporation for the year ended December 31, 2019 incorporated by reference into this Prospectus; and
- MNP LLP is the Corporation's former auditor and audited the annual financial statements for the Corporation for the year ended December 31, 2018 incorporated by reference into this Prospectus.

To the knowledge of management, as of the date hereof, the aforementioned firms held either less than one percent or no securities of the Corporation or of any associate or affiliate of the Corporation.

## PURCHASERS' STATUTORY RIGHTS

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

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

## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Robert Groesbeck and Larry Scheffler, the co-Chief Executive Officers, co-Chairmen, promoters and each a director of the Corporation, and Michael Harman and Adrienne O'Neal, each a director of the Corporation, each reside outside of Canada and have each appointed Wildeboer Dellelce LLP, Wildeboer Dellelce Place, Suite 800, 365 Bay Street, Toronto, Ontario M5H 2V1, as his or her agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

## CERTIFICATE OF THE CORPORATION

Dated: June 19, 2020

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

(Signed) ROBERT GROESBECK
Co-Chief Executive Officer

(Signed) LARRY SCHEFFLER
Co-Chief Executive Officer

(Signed) DENNIS LOGAN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) ADRIENNE O'NEAL
Director

(Signed) MICHAEL HARMAN
Director

## CERTIFICATE OF THE PROMOTERS

Dated: June 19, 2020

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

(Signed) ROBERT GROESBECK
Promoter

(Signed) LARRY SCHEFFLER
Promoter

## CERTIFICATE OF THE UNDERWRITERS

Dated: June 19, 2020

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

**BEACON SECURITIES LIMITED**

(Signed) MARIO MARUZZO
Managing Director, Investment Banking

**CANACCORD GENUITY CORP.**

(Signed) STEVE WINOKUR
Managing Director, Investment Banking