

*This short form prospectus is a base shelf prospectus. This short form base shelf prospectus has been filed under legislation in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island, that permit certain information about these securities to be determined after the short form base shelf prospectus has become final and that permit the omission of that information from this prospectus. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in cases where an exemption from such delivery requirements is available.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf 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.*

*Information has been incorporated by reference in this 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 Pure Extracts Technologies Corp., 7341 Industrial Way, Unit 6, Pemberton, BC, V0N 2K0, Telephone: 604-328-5598 (attention: Chief Financial Officer), and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

March 4, 2021

### PURE EXTRACTS TECHNOLOGIES CORP.

**\$30,000,000**

**Common Shares  
Warrants**

**Subscription Receipts  
Units**

This short-form base shelf prospectus (the “**Prospectus**”) relates to the offering for sale of common shares (the “**Common Shares**”), warrants (the “**Warrants**”) and subscription receipts (the “**Subscription Receipts**”), or any combination of such securities (the “**Units**”) (all of the foregoing, collectively, the “**Securities**”) by Pure Extracts Technologies Corp. (the “**Company**” or “**Pure**”) from time to time, during the 25-month period that this Prospectus, including any amendments hereto, remains effective, in one or more series or issuances, up to an aggregate offering price of \$30,000,000. The Securities may be offered in amounts at prices to be determined based on market conditions at the time of the sale and set forth in an accompanying prospectus supplement (a “**Prospectus Supplement**”). The consideration for any such acquisition may consist of any of the Securities separately, a combination of Securities or any combination of, among other things, Securities, cash and assumption of liabilities. One or more securityholders of the Company may also offer and sell Securities under this Prospectus. See “*The Selling Securityholders*”.

The Company’s outstanding common shares are listed and posted for trading on the Canadian Securities Exchange (the “**CSE**”) under the symbol “PULL”. On March 3, 2021, the last reported sale price for Pure’s common shares on the CSE was \$0.58 per Common Share.

Unless a Prospectus Supplement provides otherwise, any offering of Warrants, Subscription Receipts and Units will be a new issue of securities with no established trading market and, accordingly, such securities will not be listed on any securities or stock exchange or on any automated dealer quotation system. There is no market through which the Warrants, Subscription Receipts or Units may be sold and purchasers may not be able to resell any such securities under this Prospectus or any Prospectus Supplement. This may affect the pricing of such securities in the secondary market (if any), the transparency and availability of trading price (if any), the liquidity of such securities and the extent of issuer regulation. See “*Plan of Distribution*”.

**Investing in the Securities of the Company involves a high degree of risk. You should carefully review the risks outlined in this Prospectus (together with any Prospectus Supplement) and in the documents incorporated by reference in this Prospectus and consider such risks in connection with an investment in such Securities. See “*Risk Factors*”.**

**Prospective investors should be aware that the acquisition of the Securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should read the tax discussion contained in the applicable Prospectus Supplement with respect to a particular offering of Securities.**

**The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of British Columbia, Canada, and that all of its officers and directors are residents of Canada.**

**NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE OR CANADIAN SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

The specific terms of the Securities with respect to a particular offering will be set out in one or more Prospectus Supplements and may include, where applicable: (i) in the case of Common Shares, the number of Common Shares offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the issue price (in the event the offering is a non-fixed price distribution) and any other specific terms; (ii) in the case of Warrants, the offering price, the designation, number and terms of the Common Shares issuable upon exercise of the Warrants, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; (iii) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price, the procedures for the exchange of the Subscription Receipts for Common Shares or Warrants, as the case may be, and any other specific terms; and (iv) in the case of Units, the designation, number and terms of the Common Shares, Warrants or Subscription Receipts comprising the Units. The Securities may be offered separately or together in any combination (including in the form of Units). Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to the Securities will be included in the Prospectus Supplement describing the Securities.

All information permitted under applicable securities legislation to be omitted from this Prospectus will be contained in one or more Prospectus Supplement(s) that will be delivered to purchasers together with the Prospectus, except in cases where an exemption from such delivery requirements is available. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of applicable securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains. Investors should read this Prospectus and any applicable Prospectus Supplement carefully before investing in the Securities.

This Prospectus constitutes a public offering of the Securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell the Securities in such jurisdictions. We may offer and sell Securities to, or through, underwriters, dealers or selling securityholders, directly to one or more other purchasers, or through agents pursuant to exemptions from registration or qualification under applicable securities laws. A Prospectus Supplement relating to each issue of Securities will set forth the names of any underwriters, dealers, agents or selling securityholders involved in the offering and sale of the Securities and will set forth the terms of the offering of the Securities, the method of distribution of the Securities, including, to the extent applicable, the proceeds to us and any fees, discounts, concessions or other compensation payable to the underwriters, dealers or agents, and any other material terms of the plan of distribution. This Prospectus may be used to qualify an "at-the-market distribution" (as defined under applicable Canadian securities legislation). In connection with any offering of the Securities, other than an at-the-market distribution, unless otherwise specified in a Prospectus Supplement, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. Such transaction, if commenced, may be interrupted or discontinued at any time. See "*Plan of Distribution*".

**No underwriter has been involved in the preparation of the Prospectus or performed any review of the contents of the Prospectus.**

Our head office is 7341 Industrial Way, Unit 6, Pemberton, BC, V0N 2K0. The registered office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Psilocybin is currently a Schedule III drug under the Controlled Drugs and Substances Act, S.C. 1996, c. 19 (the "CDSA") and it is a criminal offence to possess substances under the CDSA without a prescription. Health Canada has not approved psilocybin as a drug. While the Company is focused on developing products using psilocybin, the Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances. The Company does not advocate for the legalization of psychedelic substances. The Company does not currently manufacture, store or otherwise handle psilocybin directly and will only do so through agents within laboratory and clinical trial settings conducted within approved regulatory frameworks. The Company's products that contain psilocybin or other psychedelic compounds will not be commercialized prior to applicable regulatory approval, which will only be granted if clinical evidence of safety and efficacy for the intended uses is successfully developed.

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## GENERAL MATTERS

In this Prospectus, “Pure”, “we”, “us” and “our” refers, collectively, to Pure Extracts Technologies Corp., Pure Extracts Manufacturing Corp. (“**PEM**”) and Pure Mushrooms Corp. (“**PMC**”), Pure’s wholly owned subsidiaries.

## ABOUT THIS PROSPECTUS

Pure is a British Columbia company that is a “reporting issuer” under Canadian securities laws in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. Pure’s common shares are traded in Canada on the CSE under the symbol “PULL”.

This Prospectus is a base shelf prospectus that the Company has filed with the securities commissions in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island (the “**Qualifying Jurisdictions**”) in order to qualify the offering of the Securities described in this Prospectus in accordance with Canadian National Instrument 44-102—Shelf Distributions (“**NI 44-102**”).

Under this shelf registration process, Pure may sell any combination of the Securities described in this Prospectus in one or more offerings up to an aggregate offering price of \$30,000,000. This Prospectus provides you with a general description of the Securities that the Company may offer. Each time Pure sells Securities under this Prospectus the Company will provide a Prospectus Supplement that will contain specific information about the terms of that specific offering. The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in the Prospectus Supplement.

You should rely only on the information contained in or incorporated by reference into this Prospectus and in any applicable Prospectus Supplement. The Company has not authorized anyone to provide you with different information. The Company is not making any offer of these Securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus and any Prospectus Supplement is accurate as of any date other than the date on the front of those documents or that any information contained in any document incorporated by reference is accurate as of any date other than the date of that document.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained from us upon request without charge from Pure Extracts Technologies Corp., 7341 Industrial Way, Unit 6, Pemberton, BC, V0N 2K0 (telephone: 604-328-5598) (attention: Chief Financial Officer), or by accessing the Company’s disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

The following documents (“**documents incorporated by reference**” or “**documents incorporated herein by reference**”) have been filed by us with various securities commissions or similar authorities in the provinces of Canada in which the Company is a reporting issuer, are specifically incorporated herein by reference and form an integral part of this Prospectus:

1. the Company’s annual information form for the financial year ended June 30, 2020 (the “**2020 AIF**”);
2. the Company’s listing statement prepared in support of the listing of the Common Shares on the CSE dated October 30, 2020 (the “**Listing Statement**”), except for Note 6(j) and Note 7 to the pro forma consolidated statement of financial statement of the Company contained in Schedule “A” to the Listing Statement and the information derived therefrom, as that information is entirely superseded by the information provided in Note 4 to the Interim Financial Statements (as defined herein) of the Company;

3. the Company's audited financial statements together with the notes thereto for the year ended December 31, 2019 and 2018 (the "**Annual Financial Statements**"), together with the report of the independent registered public accounting firm thereon;
4. the Company's annual management's discussion and analysis of financial condition and operations for the year ended December 31, 2019 (the "**Annual MD&A**");
5. the Company's unaudited condensed interim financial statements for the six months ended December 31, 2020 and 2019 (the "**Interim Financial Statements**");
6. the Company's management's discussion and analysis of financial condition and operations for the six months ended December 31, 2020 (the "**Interim MD&A**");
7. the Company's management information circular dated July 7, 2020 prepared in connection with the annual general meeting of shareholders of the Company held on August 5, 2020;
8. the unaudited condensed interim financial statements of PEM for the three months ended September 30, 2020 (the "**PEM Interim Financial Statements**");
9. the Company's material change report dated October 28, 2020 regarding the Company entering into a definitive amalgamation agreement (the "**Amalgamation Agreement**") with Pure Extract Technologies Inc. ("**PET**");
10. the Company's material change report dated October 28, 2020 regarding the Company completing the acquisition of all of the issued and outstanding shares of PET by way of a three-cornered amalgamation (the "**Amalgamation**");
11. the Company's material change report dated January 11, 2021 regarding the Company closing the first tranche of its private placement of special warrants; and
12. the Company's material change report dated January 21, 2021 regarding the Company closing the second and final tranche of its private placement of special warrants.

In addition, the Company also incorporates by reference into this Prospectus any document of the types referred to in the preceding paragraph, including all annual information forms, all information circulars, all annual and interim financial statements and management's discussion and analysis relating thereto, all material change reports (excluding confidential material change reports, if any), all business acquisition reports, all updated earnings coverage ratio information or of any other type required to be incorporated by reference into a short form prospectus pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions* ("**NI 41-101**") that are filed by us with a securities commission or similar authority in Canada after the date of this Prospectus and prior to the termination of the offering under any Prospectus Supplement. As discussed below, this Prospectus may also expressly update or revise any document incorporated by reference and such document should be deemed so amended or updated hereby.

Upon a new annual information form and related annual financial statements being filed by us with, and where required, accepted by, the applicable securities regulatory authority during the currency of this Prospectus, the 2020 AIF, the Listing Statement, the previous annual financial statements and all interim financial statements, material change reports and information circulars and all Prospectus Supplements filed prior to the commencement of our financial year in which a new annual information form is filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon consolidated interim financial statements and the accompanying management's discussion and analysis of financial condition and results of operations being filed by us with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, all consolidated interim financial statements and the accompanying management's discussion and analysis of financial condition and results of operations filed prior to such new

consolidated interim financial statements and management's discussion and analysis of financial condition and results of operations shall be deemed to no longer be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus. In addition, upon a new management information circular for an annual meeting of shareholders being filed by us with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, the previous management information circular filed in respect of the prior annual meeting of shareholders shall no longer be deemed to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose 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 will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

All information permitted under applicable securities legislation to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus, except in cases where an exemption from such delivery requirements has been obtained. A Prospectus Supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement, but only for the purposes of the offering of Securities covered by that Prospectus Supplement. Investors should read this Prospectus and any applicable Prospectus Supplement carefully before investing in the Securities.

Any template version of any "marketing materials" (as such term is defined in NI 44-101) filed after the date of a Prospectus Supplement and before the termination of the distribution of the Securities offered pursuant to such Prospectus Supplement (together with this Prospectus) is deemed to be incorporated by reference in such Prospectus Supplement.

## **MARKET AND INDUSTRY DATA**

Unless otherwise indicated, information contained in this Prospectus concerning the industry and markets in which Pure operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates. Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from the Company's internal research, and are based on assumptions made by the Company based on such data and its knowledge of such industry and markets, which it believes to be reasonable. The Company's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Risk Factors*".



## FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated herein by reference contain certain forward-looking information within the meaning of applicable Canadian securities laws. In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company’s business and operations;
- the Company’s anticipated revenues and cash flows from operations and consequent funding requirements;
- the funds available to the Company and the principal purposes of those funds;
- the Company’s business objectives and discussion of trends affecting the business of the Company; and
- the Company’s anticipated operating expenses.

Forward-looking statements contained in certain documents incorporated by reference into this Prospectus are based on the key assumptions described in such documents. Certain forward-looking statements contained herein and incorporated by reference concerning the medical cannabis industry and the general expectations of the Company concerning the medical cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties and is subject to change based on various factors.

A number of factors could cause actual events, performance or results to differ materially from what is projected in forward looking statements. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under “Risk Factors”.

While the effort was made to list the primary risk factors, this list should not be considered exhaustive of the factors that may affect any of the Company’s forward-looking statements or information. Investors should refer to the section of this Prospectus entitled “*Risk Factors*” for a comprehensive discussion of the risk factors that the Company faces. In addition, investors should refer to the risk factors identified in the Listing Statement, 2020 AIF, Annual MD&A and Interim MD&A. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, the risks and uncertainties described above and otherwise contained herein.

Our forward-looking statements and risk factors are based on the reasonable beliefs, expectations and opinions of management on the date of this Prospectus. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there

may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

**The Company qualifies all the forward looking statements contained in this Prospectus and the documents incorporated by reference herein and therein by the foregoing cautionary statements.**

#### **CURRENCY PRESENTATION**

Unless stated otherwise or as the context otherwise requires, all references to dollar amounts in this Prospectus are references to Canadian dollars.

#### **OUR BUSINESS**

*This summary does not contain all the information about the Company that may be important to you. You should read the more detailed information and financial statements and related notes that are incorporated by reference into and are considered to be a part of this Prospectus.*

The Company was incorporated on February 3, 2006 under the name “Waverley Biotech Inc.” under the Canada Business Corporations Act. Effective July 6, 2009, the Company continued into British Columbia under the *Business Corporations Act* (British Columbia). On August 18, 2008, the Company changed its name to “Fox Resources Ltd.” and subsequently on December 1, 2011 changed its name to “Big Sky Petroleum Corporation”. On October 28, 2020, the Company changed its name to “Pure Extracts Technologies Corp.” in connection with the Amalgamation, as discussed further below under “Closing of Amalgamation”.

On October 20, 2020, the Company, Acquireco, and PET entered into an amalgamation agreement (the “**Amalgamation Agreement**”) in respect of the Amalgamation. The Amalgamation was completed on October 28, 2020, pursuant to which the Company assumed the business of PET. On October 28, 2020, immediately prior to the completion of the Amalgamation, the Company completed a consolidation of the Common Shares on the basis of one new Common Share for each six old Common Shares. The Company’s Common Shares were previously listed on the NEX Board of the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “BSP.H”. Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

The Common Shares are listed on the CSE under the trading symbol “PULL”. The Company is a reporting issuer in Canada in the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick, and Nova Scotia.

The head office of the Company is located at 7341 Industrial Way, Unit 6, Pemberton, BC, V0N 2K0 and its registered office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The Company has two wholly-owned subsidiaries: (i) PEM, which was formed pursuant to the Amalgamation of Acquireco and PET (see “General Development of the Business – The Amalgamation”), and (ii) PMC, a newly incorporated subsidiary which the Company intends to use to develop its functional mushrooms business (see “Our Business – Principal Products – Functional Mushrooms”).

Name of Subsidiary	Jurisdiction of Incorporation	Shareholders and Interest held
Pure Extracts Manufacturing Corp.	British Columbia	Pure Extracts Technologies Corp. (100%)
Pure Mushrooms Corp.	British Columbia	Pure Extracts Technologies Corp. (100%)

### ***Closing of Amalgamation***

On October 20, 2020, the Company entered into the Amalgamation Agreement with a wholly owned subsidiary of the Company (“**Acquireco**”) and PET, pursuant to which the Company acquired all of the issued and outstanding shares of PET by way of a “three-cornered” amalgamation whereby:

- (1) Acquireco and PET amalgamated, thereby forming PEM;
- (2) each shareholder of PET transferred their common shares in the capital of PET (“**PET Shares**”) to the Company in exchange for Common Shares on the basis of 2.666666 Common Shares for each share of PET, resulting in an aggregate of 63,621,026 Common Shares being issued to the former shareholders of PET;
- (3) the Company received one fully paid and non-assessable common share of PEM for each common share of Acquireco held by the Company, following which all such common shares of Acquireco were cancelled;
- (4) the Company received, for each Common Share issued in the Amalgamation, one common share of PEM and PEM became a wholly-owned subsidiary of the Company; and
- (5) options to purchase Common Shares (“**Options**”), Common Share purchase warrants (“**Warrants**”) and certain performance securities entitling the holder to obtain Common Shares on the satisfaction of certain conditions (the “**Performance Securities**”) were issued to the holders of the options to purchase PET Shares (“**PET Options**”), PET Share purchase warrants (“**PET Warrants**”) and certain performance securities of PET (the “**PET Performance Securities**”), respectively, in exchange and replacement for, on an equivalent basis, such PET Options, PET Warrants and PET Performance Securities, which were then cancelled.

The Amalgamation resulted in PEM becoming a wholly-owned subsidiary of the Company. On October 28, 2020, concurrently with the completion of the Amalgamation, the Company changed its name to “Pure Extracts Technologies Corp.”

The valuation ascribed to PET in the Amalgamation was determined by arm’s length negotiation between the Company and PET and based in part upon PET’s pre-Amalgamation financings.

The Amalgamation was approved by the written consent of all of the shareholders of PET and by the Company, in its capacity as sole shareholder of Acquireco. The Amalgamation was approved by the written consent of greater than 50% of the Company’s pre-Amalgamation shareholders.

## Business of the Company

### Overview

The Company is an integrated Canadian extraction company specializing in the processing of cannabis, hemp and functional mushrooms to produce oils and various derivative products. The Company holds a standard processing license issued by Health Canada (Licence No. LIC-XHX0W8TMCO-2020 (the “**Processing License**”) on September 25, 2020 which permits the Company to (a) possess cannabis, (b) to produce cannabis, other than obtain it by cultivating, propagating or harvesting it, and (c) to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations (SOR/2018-144) promulgated under the Cannabis Act (the “**Cannabis Regulations**”). The Processing License expires on September 25, 2023.

Upon receiving the Processing License, the Company commenced operations focused on toll processing, white labelling, and developing its own private label of products incorporating its full spectrum tetrahydrocannabinol (“**THC**”) and cannabidiol (“**CBD**”) based extracted oils. The Company intends to use supercritical carbon dioxide (CO<sub>2</sub>) and ethanol extraction technology to produce cannabis oils, extracts and derivative products for distribution in the Canadian recreational cannabis market. The Company is currently only producing cannabis extracts for sale in the wholesale market to other Licenced Producers. Specifically, the Company is manufacturing CBD full spectrum oil, CBD distillate, THC full spectrum oil and THC distillate.

On February 12, 2021, the Company applied to Health Canada for a sales amendment to its processing license. A sales amendment would permit the Company to sell cannabis products directly to provincial and territorial authorized distributors and retailers throughout Canada. If the Company receives a sales amendment, it intends to manufacture cannabis extracts such as vape pens and oil tinctures as well as edibles such as chewable gummies, and topical products containing CBD and THC oil extracts for sale to retailers and distributors. To satisfy the requirements for a sales amendment application, the Company completed two representative batches of vape cartridges. The Company expects that it will take between four to six months to receive its sales amendment.

In the future the Company may seek to expand its business to other targeted jurisdictions where CBD products are legal and approved for sale to its adult population, although the Company has no immediate plans to do so and does not expect to operate in emerging markets. The Company is also developing functional mushroom extraction processes integrating its existing infrastructure for the purpose of commercial scale extraction services and product development.

The Company is in active negotiations with licensed Canadian cultivators of cannabis and hemp for orders filling its capacity for toll processing and contract manufacturing services. The Company currently has one such tolling agreement in place which the Company entered into on December 23, 2020 with 1271226 BC Ltd. In connection with this agreement, the Company completed validation and test runs of its extraction equipment in January 2021. The cost of the validation process, along with independent lab certificates of analysis for the test runs, was approximately \$20,000. As a result of the successful test run, the Company’s extraction equipment is now fully commissioned and validated. The extracted oil has met all Health Canada standards, as confirmed in the Certificate of Analysis (COA) from a qualified laboratory, and the extracted oil is now ready to sell on the wholesale market.

The Company is also in active negotiations with Canadian functional mushroom consumer packaged goods (“**CPG**”) companies regarding toll processing and contract manufacturing services, but has not signed any definitive agreements. It also continues to seek out individuals who can add in-house expertise for extraction operations, post-production packaging, facilities management and professional services requirements such as cost-accounting, and further develop its customer acquisition strategy.

The Company’s operations are located in Pemberton, British Columbia, where it has a purpose-built processing facility (the “**Pemberton Facility**”). The Pemberton Facility has been built to European Union Good Manufacturing Practices (“**EU-GMP**”) standards, which will allow the Company, subject to obtaining any necessary permits, to export its products from the Pemberton Facility to international destinations where Cannabis is legal for recreational usage

purposes. The Company will not directly or indirectly make any exports to the United States unless and until (i) there is a change in United States federal law with respect to cannabis and cannabis extracts and (ii) corresponding changes in Canadian laws permit the same.

Additionally, the Company is presently expanding its business to include functional mushrooms extraction. It is in the process of working on functional mushroom extraction processes compatible with its existing infrastructure at the Pemberton Facility. In connection with the same, the Company intends to apply for a Class 1 and a Class 2 Natural Health Products license from the NNHPD in Q1 of 2021, as further discussed under “Products and Services – Toll Processing” below.

Subject to the receipt of all necessary regulatory approvals, including the approval of the CSE, the Company plans to make an application to Health Canada for a Dealer’s License under the *Food and Drugs Regulations* (Part J) to the *Food and Drugs Act* (Canada)(the “**Dealer’s License**”) for controlled drugs and substances to permit the manufacture and sale of such compounds to third parties for research and clinical studies.

### ***History of the Business***

On May 14, 2018, pursuant to the terms of an asset purchase agreement between PET and DSD Manufacturing Inc. (“**DSD**”), PET obtained from DSD certain physical assets and intellectual property, including systems, equipment and machines, as well as the associated trademarks, domain names, and standard operating procedures for use in cannabis extraction (the “**DSD Assets**”). In exchange for the rights to the DSD Assets, PET paid \$120,000 in cash and issued to the shareholders of DSD an aggregate of 2,250,000 common shares of PET.

Pure, and its predecessor company PET, have also achieved the following milestones:

- The Vitalis Q90 extraction machine was acquired from DSD on May 14, 2018;
- Renovation of the Pemberton Facility was substantially completed in March of 2020 under Building Permit #1817;
- On June 19, 2020, PET purchased an ATG RoboCap cartridge filling and packaging system;
- On June 22, 2020, PET entered into a lease and option to purchase agreement for the Vitalis R200; and
- The Processing License was issued by Health Canada on September 25, 2020.

In April of 2020, Pure entered into a manufacturing and distribution license agreement with Taste-T, LLC (“**Taste-T**”), a company existing under the laws of Nevada which has obtained intellectual property and other proprietary rights to certain materials, names, brands and/or trademarks, relating to the cannabis brand “Fireball Cannabis Gummies”, a well known brand of cinnamon liqueur, and which provides Pure with manufacturing equipment and operating procedures to produce cannabis infused gummies with certain brand names and flavour profiles. The License Agreement grants Pure with the exclusive distribution rights of the branded products in Canada and 30 other countries around the world outside of the United States. The Company is awaiting approval from Health Canada with respect to the SKU numbers required for the rollout of the gummies to be produced using this equipment. The term of the agreement will be a period of six years, commencing in April 2021, with Pure holding the option for renewal terms in five year intervals.

In May of 2020, Pure entered into a toll service agreement with 1221417 B.C. Ltd. and Allied Corp. pursuant to which Pure agreed to process cannabis and hemp biomass for third party licensed producers sourced by Allied Corp. and returning it to the licensed producers in the form of high-quality extract at a cost offset. This Agreement was terminated and replaced in December 2020 when the Company entered into an agreement for tolling services with 1271226 BC Ltd. Pursuant to this agreement, the Company has begun to test run its extraction equipment, which it

commenced doing in the first week of January. In June of 2020, Pure also entered into a toll service agreement with MicroC65 Inc., which was subsequently terminated.

### ***Principal Products***

The primary products which the Company intends to roll out are: (i) cannabis extract, created by processing and refining dried cannabis flower/ biomass - the raw, harvested plant material from the cannabis plant; (ii) CBD oil extraction from dried hemp; and (iii) various derivative cannabis product lines including edible products such as THC infused gummies. The Company utilizes supercritical carbon dioxide (CO<sub>2</sub>) and ethanol extraction technology to produce cannabis extract products, as discussed further below under “*Extraction Methods*”

The Company’s business model entails five different revenue streams: (i) revenue from toll-processing, (ii) revenue from branded extracts and cannabis-derived products; (iii) revenue from white-label products, (iv) revenue from licensed cannabis retailers that the Company may acquire in the future, and (v) revenue from functional mushroom toll-processing and branded product sales.

The Company is currently only producing CBD and THC extracts for sale in the wholesale market to other Licenced Producers. Specifically, the Company is manufacturing CBD full spectrum oil, CBD distillate, THC full spectrum oil and THC distillate. The Company commenced purchasing the biomass required for these products in December 2020 on the wholesale spot market and has commenced building its inventory of both raw materials and finished goods. The Company has in its inventory approximately 200 kgs of hemp biomass (the raw material used to make CBD oil) with an approximate current value of \$13,500 and 100 kgs of cannabis dry flower (the raw material used to make THC oil), with an approximate current value of \$25,000. The Company also has approximately 3.5 kgs of CBD full spectrum oil (FSO), a finished good used in vape cartridges, with an approximate current value of \$17,500. Additionally, the Company has finished goods of approximately 2,000 0.5 gram filled CBD vape cartridges in inventory (approximate current value of \$50,000. All production was carried out in the Company’s manufacturing facility in Pemberton, BC, under the Standard Processing License issued to the Company by Health Canada on September 25, 2020. On February 12, 2021, the Company signed a distribution agreement with Canada House (CSE: CHV), which distribution agreement will allow the Company to have its products on the shelves of up to 4 provinces (BC, AB, SK & ON) within 60 days of the date hereof.

The Company has certain product lines ready for release into the recreational cannabis market, which it intends to build out into a portfolio of cannabis branded products. These product lines include 34 formulations for vape cartridge oil as well as 3 flavour profiles for edible THC gummies. These products are fully developed and market-ready including all hardware, labelling and packaging.

### ***Toll Processing***

Canadian cannabis cultivation licenses do not allow cultivators to process their own biomass into extracts. The Company provides third-party contractual extraction services to other Health Canada cannabis and hemp cultivation license holders, as well as universities, laboratories and research facilities. The Company assists cultivators through processing biomass and returning it to the suppliers in the form of high-quality extract at a cost offset (tolling). As extracts command a much higher selling price than biomass and/or dried flower cannabis, the Company is able to assist its customers in producing extracts to achieve higher revenue and cater to the demand for edibles and extract based products. The Company collects fees for such services and does not take ownership of the supplied biomass product.

The Company is negotiating multiple agreements for toll services. The Company has completed several ‘one-off’ biomass (both cannabis and hemp) purchases for licensed producers in the spot market. The Company has also been in talks with several Canadian licensed cultivators to secure a steady supply of high-quality cannabis biomass for its branded and white-label products. On January 25, 2021, the Company announced that it has entered into its first substantial biomass purchase agreements. Pursuant to these agreements, the Company purchased 220 kgs (220,000 grams) of silver lemon haze dry cannabis with THC potency of approximately 14.5% from CannTrust Inc. (“**CannTrust**”). The Company also purchased 1,000 kgs (1,000,000 grams) of dry hemp with a CBD potency of approximately 10% from CBD Hemp Ltd (“**CBD Hemp**”). Neither of these purchases was part of a long-term supply agreement, but the Company

expects to continue to purchase high-quality biomass from CannTrust and CBD Hemp on an as-needed basis as the Company ramps up production. Both CannTrust and CBD Hemp are arms-length parties to the Company. To-date, no white-label agreements have been signed. Management anticipates that many of the licensed cultivators with which it enters into supply agreements may also serve as the Company's customers for its toll-processing services.

#### *Extracts and Derivative Products and White Label Products*

The products planned for production by the Company include the following:

##### Phase 1 (Q1, 2021)

- Wholesale extracted THC and CBD oil and distillate (production commenced January 2021)

##### Phase 2 (Q1, 2021)

- Wholesale packaged THC and CBD vape cartridges, gummies and tinctures
- Functional mushroom consumer packaged products for the wellness industry

##### Phase 3 (Q2/Q3, 2021)

- Consumer packaged THC and CBD edibles, topicals and oral sprays
- THC and CBD concentrates
- Consumer packaged THC and CBD beverages
- Other innovative THC and CBD products
- Other advanced functional mushroom products including some with CBD

#### *Licensed Retailers*

Through Management's network and backgrounds, the Company already has contacts and relationships with licensed cannabis retailers. Management of the Company envisions the licensed cannabis retailers will serve as the primary distribution channel for the Company's white-label and toll-processing clients and will allow the Company to service customers across Canada.

#### *Functional Mushrooms*

The Company is developing functional mushroom extraction processes and products compatible with its existing infrastructure for the purpose of commercial scale extraction product and service development. The Company is currently utilizing the services of two functional mushroom product co-packers and the existing products they have in inventory with Natural Product Numbers ("**NPNs**").

The Company is planning to apply for a Natural Health Product ("**NHP**") Site Licence from the Natural and Non-Prescription Health Products Directorate ("**NNHPD**") at the end of Q2 2021, after it has launched 3 outsourced functional mushroom products, so that the Company can obtain its own NPNs and can extract the mushroom ingredients at a later date in the existing Pemberton facility. The NHP Site License is a simple, paper-based application without a site visit requirement. It is expected to take 60 to 90 days for NNHPD to grant the Site Licence, depending on their workload and the impact of the COVID-19 pandemic.

The Company also intends to apply for a product license for any functional mushroom products that the Company decides to manufacture. The Company may only apply for a product license once it has received the NHP Site License. Once the Site Licence is received, the Company intends to apply for a Class 1 NHP product license (homeopathy monograph), which is expected to take 60 to 90 days from the date of application to obtain. The Company may also apply for a Class 2 NHP product licence (homeopathic medicines with non-specific claims) which is

expected to take 90 to 120 days from the date of application to obtain. Presently, there are no costs or fees associated with the submission and review of product and site license applications.

Management anticipates that the Company will go to market with its functional mushroom products within a year. The Company is launching 3 SKUs of functional mushroom wellness products in March of 2021, sourced from two British Columbia based arms-length co-packers, The Nutraceutical Medicine Company and Pura, through the issuance of purchase orders. These products will be sold direct-to-consumer through an Amazon e-Commerce storefront through the Company's recently incorporated, wholly-owned subsidiary, Pure Mushrooms Corp. The Company is working closely with its co-packing partners to advance its product development strategy for 2021 by obtaining additional NPNs from the NNHPD. To-date the Company has spent \$35,553 for purchase orders and approximately \$6,000 in storefront set-up costs. The Company plans to purchase approximately \$55,000 of inventory for the 3 SKUs and will re-order as demand warrants. The Company intends to integrate these products with its other product and service lines as its distribution and branding partners continue to gain market share.

### *Psychoactive Compounds*

The Company intends to make an application to Health Canada for a Dealer's License for controlled drugs and substances to permit the manufacture and sale of such compounds to third parties for research and clinical studies. For advice on the application to Health Canada for a Dealer's License, the Company has entered into a consulting agreement with CCI Deloitte, one of Canada's most experienced consulting firms in the area of both pharmacology and government regulations. Once the Company's Dealer's License application has been submitted, the Company plans to commence an active search for additional management expertise in the field of psychedelic derived medicines while it waits the 12 to 18 months that it believes it will take for Health Canada to grant it a Dealer's License.

Currently, the Company is outsourcing all research and development regarding psychedelic derived medicines to third-party consultants including Dr. Alexander MacGregor, a key scientific advisor to the Company. The Company is commencing a study on the formulation and manufacturing of psilocybin based active treatments for oral tablets, capsules and a nasal gel that will be used as an investigational product. This study will be conducted under the terms of a consulting agreement at the Toronto Institute of Pharmaceutical Technology ("TIPT") by Dr. Alexander MacGregor, who is an expert in pharmaceutical technology and novel drug delivery system. TIPT holds a Health Canada Drug Establishment License, a Cannabis Drug License and a Dealer's License issued under the *Controlled Drugs and Substances Act* ("CDSA") and is thus licensed to possess psychedelic drug compound. TIPT is an arms-length research and development company located in Toronto and run by Dr. Alexander MacGregor. The TIPT study will be conducted from February 2021 to August 2021, and the cost of the study is \$105,203, inclusive of taxes.

The Company plans to apply for a Dealer's Licence on or before February 28, 2021 and as such the Company has not applied and does not plan to apply for a Section 56 Exemption for research purposes, nor has the Company received or is the Company seeking approval from Health Canada to perform any pre-clinical and clinical studies. The Company notes that it is not required to apply for a Section 56 Exemption because TIPT has a Dealer's License, and is thus licensed to possess psychedelic drug compound.

The market for psychoactive compounds is in its infancy and there currently are few legal sources of psychoactive compounds for use in medical research. The FDA's recent granting of "Breakthrough Therapy" designations to the Usona Institute for psilocybin for the treatment of major depressive disorder and to COMPASS Pathways for psilocybin for the treatment-resistant depression, appears to have increased interest and the number of clinical studies of psilocybin and other psychedelic compounds.

### *Extraction Methods*

Supercritical CO2 extraction is one of the main extraction technologies used in the cannabis industry. The Corporation's CO2 Vitalis Extraction Technology allows for full spectrum cannabis oil extraction. CO2 extraction is also a low-cost option and is environmentally friendly. Management believes that the Vitalis machines produce high quality extracts and have a number of valuable features, including the ability to rapidly process cannabis biomass, generate



maximum yield on every run, recirculate solvent to minimize waste and retain a high terpene content in the end product. The Corporation also has the option to use its ethanol extraction equipment, which is optimal for larger scale and industrial biomass input, such as hemp and functional mushrooms.

Any expansion of the Company’s business to start manufacturing controlled drugs and substances would be subject to all necessary regulatory approvals, including the approval of the CSE.

## Recent Developments

### *Closing of Special Warrant Offering*

On December 16, 2020, the Company announced a non-brokered private placement (the “**Special Warrant Offering**”) of special warrants (the “**Special Warrants**”) at \$0.505 per Special Warrant, pursuant to which the Company raised gross proceeds of \$8,532,222. The Special Warrants will automatically convert to units (the “**Units**”) upon the earlier of the receipt for a final prospectus qualifying the distribution of the Units or four months and a day from the final closing date of the Special Warrant Offering. Each Unit will be comprised of one Common Share (each an “**Underlying Share**”) and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, an “**Underlying Warrant**”). Each Warrant will entitle the holder to acquire one Common Share (an “**Underlying Warrant Share**”) at an exercise price of \$0.65 per Warrant Share for a period of 24 months following the deemed exercise date of the Special Warrants.

The Company completed the first tranche of the Special Warrant Offering on January 5, 2021, pursuant to which the Company issued 6,061,033 Special Warrants for gross proceeds of \$3,060,821.

The Company completed the second tranche of the Special Warrant Offering on January 20, 2021, pursuant to which the Company issued 10,834,458 Special Warrants for gross proceeds of \$5,471,401.

The Company plans to file a Prospectus Supplement (the “**Special Warrant Offering Prospectus Supplement**”) to qualify the issuance of the Underlying Shares, the Underlying Warrants and Underlying Warrant Shares following the issuance of a final receipt by the securities regulatory authorities in the Qualifying Jurisdictions for this Prospectus. A copy of the Prospectus Supplement will be filed on SEDAR with the applicable Qualifying Jurisdictions.

## Business Objectives and Milestones

The table below outlines how the Company will achieve its business objectives over the next 12 months. The table updates the status of the business milestones which the Company previously identified in its Listing Statement dated October 30, 2020, and identifies additional objectives and milestones which the Company is now pursuing in connection with the ramp up of its operations.

Milestone	Anticipated Cost	Anticipated Timing
Build-out of the of the Pemberton Facility for functional mushrooms & Dealer’s Licence for controlled substances	\$500,000	Q1-Q4 2021
Acquire additional supplies for increased capacity, including grinders, labels, stamps, and scales	\$100,000	Q1 2021
Acquire additional large equipment for increased productivity (Vitalis Co-Solvent Injection System)	\$260,000	Q2 2021
Receive sales amendment to processing license from Health Canada and commence direct sales to licensed retailers and distributors	N/A	Q2/Q3 2021

Reach 50% capacity with respect to contracts for toll processing, white labelling and private label	N/A	Q1 2021
Reach 100% capacity with respect to contracts for toll processing, white labelling and private label	N/A	Q4 2021
Hire additional staff for the Pemberton Facility	\$300,000	Q1 2021 – Q4 2021
Obtain Class 1 and a Class 2 Natural Health Products license from the NNHPD	\$20,000	Q2 & Q3 2021
Obtain a Dealer’s Licence from Health Canada for controlled substances	\$50,000	Q4 2021
Acquire inventory for functional mushroom wellness products, set up e-commerce storefront and obtain additional NPNs	\$100,000	Q1 2021 – Q4 2021

## Regulatory Framework

### ***Cannabis Regulation – Canada***

Legislation legalizing the recreational use of cannabis in Canada was implemented on October 17, 2018. On April 13, 2017, the federal government released the Cannabis Act. The Cannabis Act is intended to support the federal government’s platform advocating for the legalization of recreational cannabis in order to regulate the illegal market and restrict access by under-aged individuals. The Cannabis Act regulates the production, distribution and sale of cannabis for adult use.

The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis. Provincial legislation has implemented measures authorizing the sale of cannabis that has been produced by a person authorized under the Cannabis Act to produce cannabis for commercial purposes. The licensing, permitting and authorization regime has been implemented by the Cannabis Regulations.

### ***Federal Developments***

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act and the Cannabis Regulations coming into force, only the sale of medical cannabis was legal and was regulated by the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”) made under the CDSA. The Cannabis Act and the Cannabis Regulations replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract. Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that was in force immediately before the day on which the Cannabis Act came into force (being October 17, 2018) was deemed to be a licence issued under the Cannabis Act, and such licences will continue in force until they are revoked or expire. Given that the Cannabis Act and the Cannabis Regulations are still very new, the impact of such regulatory changes on the Company’s business is unknown.

Proposed regulations amending the Cannabis Regulations were released by Health Canada on December 22, 2018, with an order amending Schedules 3 and 4 of the Cannabis Act to include cannabis edibles, cannabis topicals and concentrates. On October 17, 2019, the Cannabis Regulations were amended to include regulations for edibles, cannabis extracts and cannabis topicals.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal use (i.e., adult recreational use), to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export

licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

The Cannabis Act and the Cannabis Regulations, among other things, set out regulations relating to the following matters:

1. Licences, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging, Labelling and Advertising;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

#### *Industrial Hemp Products*

Industrial hemp (“**Industrial Hemp**”) in Canada is regulated under the Industrial Hemp Regulations (“**IHR**”), pursuant to subsection 139(1) of the Cannabis Act. The IHR sets out the regulatory framework for controlling and authorizing activities involving Industrial Hemp. The IHR defines Industrial Hemp as a cannabis plant – or any part of the plant – in which the concentration of THC is 0.3% or less in the flowering heads and leaves. A license issued by Health Canada under the IHR is required in order to conduct various activities involving Industrial Hemp and those who obtain such a license are not subject to the Cannabis Regulations. A license issued under IHR permits the holder to conduct certain activities authorized by the particular license, including, selling, importing and exporting Seed or Grain, and cultivating Industrial Hemp. A license issued under the IHR also authorizes certain ancillary activities, such as possessing, harvesting, transferring and transporting Industrial Hemp, to the extent they are necessary to conduct the activities authorized by the license.

Not every activity that involves Industrial Hemp falls within the scope of the IHR. For example, the extraction of CBD or other phytocannabinoids from the flowering heads, leaves or branches of the plant (whether categorized as Industrial Hemp or otherwise) is regulated by the Cannabis Regulations and requires a cannabis processing or cultivation license. As a result, the extraction of CBD and the production of CBD-infused products requires a processing or cultivation license issued by Health Canada under the Cannabis Act and the Cannabis Regulations.

#### *Licences, Permits and Authorizations*

The Cannabis Regulations establish the following six classes of licenses under the Cannabis Act authorizing differing activities and, in some cases, the scale of the authorized activity: (i) cultivation licenses; (ii) processing licenses; (iii) analytical testing licenses; (iv) sale for medical purposes licenses; (v) research licenses; and (vi) cannabis drug licenses. The Cannabis Regulations also create subclasses of cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). The different classes of licenses and each subclass therein carry differing rules and requirements that are intended to be proportionate to the public health and safety risks posed by each class and subclass of license. The Cannabis Regulations provide that all licenses issued under the Cannabis Act must include both the effective date and expiry date of the license, and may be renewed on or before the expiry date.

The Cannabis Regulations provide that license holders may only conduct activities authorize by a license at the site specified in the license (except for destruction, antimicrobial treatment and distribution) and that no licensed activities can be conducted in a dwelling-house. The holder of a license must not produce cannabis (other than cannabis obtained by cultivating, propagating or harvesting it) or test, store, package or label cannabis outdoors. The

Cannabis Act and the Cannabis Regulations, therefore, permit both outdoor and indoor cultivation of cannabis. The implications of allowing outdoor cultivation are not yet fully known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor cultivation.

#### *Security Clearances*

Certain personnel associated with cannabis licensees, including individuals occupying a “key position” such as directors, officers, large shareholders and individuals identified by the Minister of Health (the “**Minister**”), are obliged to hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. The Cannabis Regulations also provide that security clearances are valid for a period of no more than five years.

Health Canada acknowledges that individuals who have histories of non-violent, lower-risk criminal activity (for example, simple possession of cannabis or small-scale cultivation of cannabis plants) may obtain security clearances so they can participate in the legal cannabis industry, depending on the circumstances. The Minister may grant security clearances to any such individual, on a case-by-case basis, if the Minister determines that the individual does not pose an unacceptable risk to public health or safety, including the risk of cannabis being diverted to an illicit market or activity.

#### *Cannabis Tracking System*

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Regulations provides the Minister with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister of Health. The Minister has introduced the Cannabis Tracking and Licensing System (CLTS), and license holders are required to use this system to submit monthly reports to the Minister, among other things.

#### *Cannabis Products*

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level and permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, after it has been packaged and labelled for sale to a customer, including in such forms a “pre-rolled” and capsules. With amendments to the Cannabis Regulations that came into force in October of 2019, the products permitted for sale were expanded to include edible cannabis, cannabis extracts (such as hashish, wax and vaping products) and cannabis topicals. The THC content and serving size of cannabis products is regulated by the Cannabis Regulations.

In order to produce and sell products within the new classes of cannabis introduced on October 17, 2019, individual licensees must apply to Health Canada to amend their license. Health Canada began accepting applications for license amendments as of mid-September 2019. Further, at least 60 days before making a new cannabis product available for sale, holders of a processing license must provide Health Canada with a written notice describing the product and advising of the date that it will become available for sale. October 17, 2019 was the first day that Health Canada accepted such notices, and accordingly December 16, 2019 was the first day upon which products in the new classes could be sold or made available to provincial wholesalers.

#### *Good Production Practices*

The Cannabis Regulations establish requirements pertaining to the production, distribution and storage of cannabis in order to control quality of finished products. The October 17, 2019 amendments to the Cannabis Regulations incorporated additional good production practices, many of which have been adapted from the *Safe Food for Canadians Regulations* to address the risk of foodborne illnesses that may be associated with edible forms of cannabis. Of particulate note, if a license holder chooses to process any class of cannabis and food products on the same site, then the production, packaging, labelling and storage of cannabis and the production, packaging and

labelling of food products must be conducted in separate buildings in order to reduce the risk of cross-contamination between ingredients and products.

#### *Product Composition and Ingredients*

The Cannabis Regulations restrict the addition of anything other than cannabis to non-derivative cannabis products (with the exception of cannabis oil, which may contain the carrier oil and any additives necessary to preserve the quality and stability of the product). The composition and ingredient requirements in respect of edible cannabis, cannabis extracts and cannabis topicals are extensive and detailed and include: (i) restrictions on the use of sweeteners and flavouring agents; and (ii) prohibitions against the use of any ingredients that could be considered unsafe or that may cause injury to the health of consumers when the product is used as intended or in a reasonably foreseeable way.

#### *Product Testing*

The Cannabis Regulations require sampling and testing of cannabis products as follows:

- Testing to determine the content of THC, tetrahydrocannabinolic acid (THCA), CBD and cannabidiolic acid (CBDA);
- Testing for microbial and chemical contaminants, which must be within limits that are generally appropriate for the intended use of the product (e.g. ingestion, inhalation, etc.);
- Testing for the residues of solvents used in the production of cannabis products; and
- Dissolution or disintegrations testing (on discrete units intended for ingestion or nasal, rectal or vaginal use).

#### *Packaging and Labelling*

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements require plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. The Cannabis Regulations further require mandatory health warnings, the standardized cannabis symbol and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator or a manufacturer; (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

#### *Advertising*

The Cannabis Act introduced restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act.

#### *Health Products and Cosmetics Containing Cannabis*

Health Canada has taken a scientific, evidence-based approach to the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. The Cannabis Regulations do not apply to cannabis-derived ingredients that are exempt from the definition of "cannabis" (such as non-viable seeds, mature stalks without any leaf, flower, seed or branch, and roots of cannabis plants). These exempt ingredients, or cannabis-derived ingredients that contain no more than 10 parts per million (ppm) THC, and those which fall within the IHR, can be used in cosmetics and natural health products, so long as no health claims are made. There is currently no pathway for cannabis-derived ingredients that contain more than 10ppm THC or derivatives therefrom (THC/CBD) to be used in natural health products with health claims, cosmetics with cosmetic claims, OTCs, pet health products or foods. Phytocannabinoids are on the Prescription Drug List and can undergo Drug Identification Number (DIN) registration for use in human and veterinary drug products.

### *Cannabis for Medical Purposes*

With the Cannabis Act and Cannabis Regulations having come into force on October 17, 2018, the medical cannabis regime migrated from the CDSA and the ACMPR to the Cannabis Act and the Cannabis Regulations. The medical cannabis regulatory framework under the Cannabis Act and the Cannabis Regulations remains substantively the same as existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under Part 14 of the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with Licensed Producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as cannabis plants or seeds, must be obtained from Licensed Producers. Following the coming into force of the amendments to the Cannabis Regulations on October 17, 2019, patients with medical authorizations also have access to the new classes of cannabis (i.e. edible cannabis, cannabis extracts and cannabis topicals) as these become available from Licensed Producers in the medical market.

**The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's business, financial condition and results of operations.**

### ***Provincial and Territorial Developments***

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act provides that the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), including sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

All Canadian provinces and territories have introduced regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are essentially three general frameworks adopted by the provinces and territories: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g. privately licensed brick and mortar retail stores, while online retail stores are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market is ultimately supplied by federally licensed cultivators and processors. In many cases, the provinces that have or propose to have privately licensed retailers have or will have a government run wholesaler. Such privately licensed retail stores are or will be required to obtain their cannabis products from the wholesalers, while the wholesalers, in turn, acquire the cannabis products from the federally licensed cultivators and processors. In addition, each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Alberta, where the minimum age is 18 years old, and Québec, where the minimum age is 21 years old.

### *British Columbia*

On May 31, 2018, the *Cannabis Control and Licensing Act* (British Columbia) (the “**BC Cannabis Act**”) and the *Cannabis Distribution Act* (British Columbia), which contain the legal framework for recreational cannabis in British Columbia, came into force. British Columbia has adopted a hybrid framework that permits both government-run and privately-run physical retail stores. The provincial Liquor Distribution Branch (“**LDB**”) is the only wholesale distributor of recreational cannabis and operates cannabis retail stores. In addition to public retail outlets operated by the LDB, the province plans to issue licenses to operate private retail stores. The LDB is also responsible for licensing and monitoring private, non-medical cannabis retail stores.

The BC Cannabis Act, among other things:

- sets the minimum age to purchase, sell or consume recreational cannabis in British Columbia as 19;
- stipulates that adults are allowed to possess up to 30 grams of cannabis in a public space;
- prohibits the use of cannabis on school properties and in vehicles; and

- authorizes adults to grow up to four cannabis plants per household, other than in properties that are used as day-cares, and requires that such plants not be visible from public spaces off the property.

On October 17, 2018: the *Cannabis Licensing Regulation* (British Columbia), the *Cannabis Control Regulation* (British Columbia), and the *Cannabis Control and Licensing Transitional Regulation* (British Columbia) came into force.

The *Cannabis Licensing Regulation* (British Columbia) establishes the regime governing the sale of recreational cannabis in British Columbia, including the licensing of privately-owned cannabis retail outlets. Among other things, the *Cannabis Licensing Regulation* (British Columbia):

- does not set a maximum number of licenses to be awarded, but stipulates that an applicant for a retail store licence or group of related persons must not hold more than 8 retail store licences;
- sets out the two classes of licences: retail store licences and marketing licences;
- authorizes the security manager to carry out investigations and background checks;
- sets out general rules and requirements with respect to licences;
- establishes the framework for compliance and enforcement, including the schedule for administrative monetary penalties and suspensions for non-compliance by licensees; and
- prohibits the opening of cannabis or consumption of cannabis in licenced retail stores and government cannabis stores.

Provincial and territorial legislation enacted for the purpose of regulating recreational cannabis are in infant stages and subject to change as governments adapt to this new regulatory environment. There can be no assurances that any such changes would be conducive to the Company's business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, increased supply costs, or the Company's business model being prohibited or financially unfeasible in one or more jurisdictions. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the Company's cannabis retail model. Municipal bylaws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened. There is no assurance that if and when provincial, territorial, regional and municipal regulatory frameworks are enacted, the Company will be able to navigate such regulatory frameworks or conduct its intended business thereunder.

**The Company is subject to changes in provincial and territorial laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.**

### ***Functional Mushrooms***

Functional mushrooms are considered Natural Health Products (NHP) and, as such, are defined and regulated by Health Canada's Natural and Non-Prescription Health Products Directorate (NNHPD), which involves a stringent licensing process and finished product testing.

The licensing requirements of the NNHPD apply to any person or company that manufactures, packages, labels and/or imports Natural Health Products for commercial sale in Canada. To be legally sold in Canada, all Natural Health Products must have a product license, and the Canadian sites that manufacture, package, label and import these products must have site licenses.

The Company will apply for both a Class 1 product license, and potentially also a Class 2 product license, once it receives its NHP site license from the NNHPD. Once Health Canada has assessed the Company's product and decided

it is safe, effective, and of high quality, it will issue the Company a product license along with an eight-digit NPN which must appear on the label. This number lets consumers know that the product has been reviewed and approved by Health Canada. There can be no assurance that the Company will receive a Class 1 product license or a Class 2 product license. If it does not receive the requisite product licenses, its business may be materially adversely affected. See “Risk Factors”.

## **Psychedelics**

Certain psychoactive compounds, such as psilocybin, are considered controlled substances under the CDSA. Specifically, Psilocin (3-[2(dimethylamino)ethyl]-4-hydroxyindole) and any salt thereof and Psilocybin (3-[2-(dimethylamino)ethyl]-4-phosphoryloxyindole) and any salt thereof, are listed under Schedule III of the CDSA. The CDSA classifies regulated drug substances into five schedules, with Schedule I containing the highest risk substances. Certain psychedelic substances, including psilocybin and psilocin, are classified as Schedule III drugs. The Act prohibits the possession of a Schedule III drug absent authorization under the CDSA or a related regulation (either via a license or an authorized exemption). A party may seek government approval for a Section 56 Exemption to allow for the possession, transport or production of a controlled substance for medical or scientific purposes. To date, Health Canada has not approved for sale any prescription drug product that contains psilocybin or psilocin as the active ingredient.

Products that contain a controlled substance such as psilocybin cannot be made, transported or sold without proper authorization from the government. A party can apply for Dealer’s License under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge. Assuming compliance with all relevant laws (CDSA, Food and Drugs Regulations) and subject to any restrictions placed on the license by Health Canada, an entity with a Dealer’s License may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Food and Drugs Regulations – which includes psilocybin and psilocin) (see s. J.01.009 (1) of the Food and Drug Regulations). The Company intends to make an application to Health Canada for a Dealer’s License for controlled drugs and substances to permit the manufacture and sale of certain psychoactive compounds to third parties for research and clinical studies.

The medical use of certain psychedelic drugs and substances remain illegal under Canadian law unless discretionary exemptions are granted under the CDSA, while a limited number of other products may be prescribed by a health care practitioner to patients under their care. Adult recreational use of psychedelic drugs and substances remains generally prohibited under the CDSA. While commercial activities involving psychedelic drugs and substances are permitted in Canada by parties who hold the required federal regulatory approvals and licences, as discussed further below, distribution and sales opportunities for psychedelic drugs and substances are heavily restricted at this time.

## **THE SELLING SECURITYHOLDERS**

Securities may be sold under this Prospectus by way of secondary offering by or for the account of certain of our securityholders. The Prospectus Supplement that we will file in connection with any offering of Securities by selling securityholders will include the following information:

- the names of the selling securityholders;
- the number or amount of Securities owned, controlled or directed of the class being distributed by each selling securityholder;
- the number or amount of Securities of the class being distributed for the account of each selling securityholder;



- the number or amount of Securities of any class to be owned, controlled or directed by the selling securityholders after the distribution and the percentage that number or amount represents of the total number of our outstanding Securities;
- whether the Securities are owned by the selling securityholders both of record and beneficially, of record only, or beneficially only; and
- all other information that is required to be included in the applicable Prospectus Supplement.

#### **USE OF PROCEEDS**

Unless otherwise specified in a Prospectus Supplement, the net proceeds from the sale of the Securities will be used to fund working capital, potential future acquisitions and capital expenditures. The Company does not have any specific proposed acquisitions planned at this time.

The Company and PET had negative operating cash flow in their most recent financial years and may have negative operating cash flows in future periods. Available funds, including the net proceeds from any financings completed by the Company, may also be used in part to fund any negative cash flow from operations of the Company.

Each Prospectus Supplement will contain specific information concerning the use of proceeds from the sale of Securities. The Company will not receive any proceeds from any sale of any Securities by the selling securityholders.

All expenses relating to an offering of Securities and any compensation paid to underwriters, dealers or agents, as the case may be, will be paid out of our general funds, unless otherwise stated in the applicable Prospectus Supplement.

#### **CONSOLIDATED CAPITALIZATION**

Except as described below, there have been no material changes in our share and debt capital, on a consolidated basis, since December 31, 2020, being the date of the Company's most recently filed unaudited interim condensed consolidated financial statements incorporated by reference in this Prospectus, other than as follows:

- On January 15, 2021, the Company issued 3,600,000 Common Shares on the exercise of Performance Securities;
- On February 1, 2021, the Company issued 25,000 Common Shares on the exercise of Options;
- On February 5, 2021, the Company issued 157,000 Common Shares on the exercise of Performance Securities;
- On February 12, 2021, the Company issued 112,000 Common Shares on the exercise of Performance Securities;
- On February 12, 2021, the Company issued 50,000 Common Shares on the exercise of Warrants;
- On February 17, 2021, the Company issued 12,500 Common Shares on the exercise of Warrants; and
- On February 26, 2021, the Company issued 480,000 Common Shares on the exercise of Warrants.

## PLAN OF DISTRIBUTION

The Company may offer and sell Securities directly to one or more purchasers, to underwriters or dealers acting as principal or through agents, underwriters or dealers designated by us from time to time. The Company may distribute the Securities from time to time in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the times of sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices. The Securities may be sold in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made directly on the CSE or other existing trading markets for the Securities. A description of such manner of sale and pricing will be disclosed in the applicable Prospectus Supplement. The Company may offer different classes of Securities in the same offering, or the Company may offer different classes of Securities in separate offerings.

This Prospectus may also, from time to time, relate to the offering of Securities by certain selling securityholders. The selling securityholders may sell all or a portion of Securities beneficially owned by them and offered thereby from time to time directly or through one or more underwriters, -dealers or agents. Securities may be sold by the selling securityholders in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the time of the sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices.

A Prospectus Supplement will describe the terms of each specific offering of Securities, including: (i) the terms of the Securities to which the Prospectus Supplement relates, including the type of Security being offered; (ii) the name or names of any agents, underwriters or dealers involved in such offering of Securities; (iii) the name or names of any selling securityholders; (iv) the purchase price of the Securities offered thereby and the proceeds to, and the portion of expenses borne by, the Company from the sale of such Securities; (v) a description to be provided by agents, underwriters or dealers in relation to the offering; (vi) any agents’ commission, underwriting discounts and other items constituting compensation payable to agents, underwriters or dealers; and (vi) any discounts or concessions allowed or re-allowed or paid to agents, underwriters or dealers.

If underwriters are used in an offering, the Securities offered thereby will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase Securities will be subject to the conditions precedent agreed upon by the parties and the underwriters will be obligated to purchase all Securities under that offering if any are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid to agents, underwriters or dealers may be changed from time to time.

In connection with any offering of Securities, other than an “at-the-market distribution”, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities may also be sold: (i) directly by the Company or the selling securityholders at such prices and upon such terms as agreed to; or (ii) through agents designated by the Company or the selling securityholders from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company and/or selling securityholder to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent is acting on a “best efforts” basis for the period of its appointment.

The Company and/or the selling securityholders may agree to pay the underwriters a commission for various services relating to the issue and sale of any Securities offered under any Prospectus Supplement. Agents, underwriters or dealers who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company and/or the selling securityholders to indemnification by the Company and/or the selling securityholders against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such agents, underwriters and dealers may be required to make in respect thereof. Such

underwriters, and dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each class or series of Warrants, Subscription Receipts and Units will be a new issue of Securities with no established trading market. Unless otherwise specified in the applicable Prospectus Supplement, Warrants, Subscription Receipts or Units will not be listed on any securities or stock exchange. Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Warrants, Subscription Receipts or Units may be sold and purchasers may not be able to resell Warrants, Subscription Receipts or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Warrants, Subscription Receipts or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. Subject to applicable laws, certain dealers may make a market in the Warrants, Subscription Receipts or Units, as applicable, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any dealer will make a market in the Warrants, Subscription Receipts or Units or as to the liquidity of the trading market, if any, for the Warrants, Subscription Receipts or Units.

In connection with any offering of Securities, unless otherwise specified in a Prospectus Supplement, underwriters or agents may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of Securities offered at levels other than those which might otherwise prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

#### **DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

The Securities may be offered under this Prospectus in amounts and at prices to be determined based on market conditions at the time of the sale and such amounts and prices will be set forth in the accompanying Prospectus Supplement. The Securities may be issued alone or in combination and for such consideration determined by our board of directors.

#### **Common Shares**

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value, of which 80,387,037 Common Shares were issued and outstanding as at the date of this Prospectus.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Company (the “**Board**”), to one vote per Common Share at the meetings of shareholders of the Company, and upon liquidation, to receive such assets of the Company as are distributable to the holders of Common Shares.

Common Shares that may be offered under any Prospectus Supplement may also include Common Shares issuable upon conversion of the Company’s outstanding Special Warrants and Common Shares held by our existing securityholders.

#### **Warrants**

This section describes the general terms that will apply to any Warrants for the purchase of Common Shares that the Company may offer under this Prospectus by way of a Prospectus Supplement. To the extent required under applicable law, the Company will not offer Warrants for sale unless the applicable Prospectus Supplement containing the specific terms of the Warrants to be offered separately is first approved, in accordance with applicable laws, for filing by the securities commissions or similar regulatory authorities in each of the jurisdictions where the Warrants will be offered for sale.

Subject to the foregoing, the Company may issue Warrants independently or together with other Securities, and Warrants sold with other securities may be attached to or separate from the other Securities. Warrants may be issued directly by us to the purchasers thereof or under one or more warrant indentures or warrant agency agreements to be entered into by us and one or more banks or trust companies acting as warrant agent. Warrants, like other Securities that may be sold, may be listed on a securities exchange subject to exchange listing requirements and applicable legal requirements.

This summary of some of the provisions of the Warrants is not complete. Any statements made in this Prospectus relating to any warrant agreement or indenture and Warrants to be issued under this Prospectus are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement. Investors should refer to the warrant indenture or warrant agency agreement relating to the specific Warrants being offered for the complete terms of the Warrants. A copy of any warrant indenture or warrant agency agreement relating to an offering of Warrants will be filed by us with the applicable securities regulatory authorities in Canada following its execution.

The particular terms of each issue of Warrants will be described in the applicable Prospectus Supplement. This description will include, where applicable:

- the designation and aggregate number of Warrants;
- the price at which the Warrants will be offered;
- the currency or currencies in which the Warrants will be offered;
- the date on which the right to exercise the Warrants will commence and the date on which the right will expire;
- if applicable, the identity of the Warrant agent;
- whether the Warrants will be listed on any securities exchange;
- any minimum or maximum subscription amount;
- the number of Common Shares that may be purchased upon exercise of each Warrant and the price at which and currency or currencies in which the Common Shares may be purchased upon exercise of each Warrant;
- the designation and terms of any securities with which the Warrants will be offered, if any, and the number of the Warrants that will be offered with each security;
- the date or dates, if any, on or after which the Warrants and the related securities will be transferable separately;
- whether the Warrants will be subject to redemption and, if so, the terms of such redemption provisions;
- whether the Warrants are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Warrants and the Common Shares to be issued upon exercise of the Warrants;

- any other rights, privileges, restrictions and conditions attaching to the Warrants and the Common Shares to be issued upon exercise of the Warrants;
- material Canadian and United States federal income tax consequences of owning and exercising the Warrants; and
- any other material terms or conditions of the Warrants and the Securities to be issued upon exercise of the Warrants.

The terms and provisions of any Warrants offered under a Prospectus Supplement may differ from the terms described above, and may not be subject to or contain any or all of the terms described above.

Prior to the exercise of any Warrants, holders of Warrants will not have any of the rights of holders of the Common Shares purchasable upon such exercise, including the right to receive payments of dividends or the right to vote such underlying securities.

### **Subscription Receipts**

This section describes the general terms that will apply to any Subscription Receipts that may be offered by us pursuant to this Prospectus by way of a Prospectus Supplement. Subscription Receipts may be offered separately or together with Common Shares or Warrants, as the case may be. The Subscription Receipts will be issued under a subscription receipt agreement.

The applicable Prospectus Supplement will include details of the subscription receipt agreement covering the subscription receipts being offered. A copy of the Subscription Receipt agreement relating to an offering of subscription receipts will be filed by us with the applicable securities regulatory authorities after it has been entered into by us. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered;
- the currency at which the Subscription Receipts will be offered and whether the price is payable in installments;
- the procedures for the exchange of the Subscription Receipts into Common Shares, Warrants, Special Warrants or Units;
- the number of Common Shares, Warrants or Units that may be issued upon exercise or deemed conversion of each Subscription Receipt;
- the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- conditions to the conversion or exchange of Subscription Receipts into other Securities and the consequences of such conditions not being satisfied;
- terms applicable to the gross or net proceeds from the sale of the Subscription Receipts plus any interest earned thereon;

- the dates or periods during which the Subscription Receipts may be converted or exchanged;
- the circumstances, if any, which will cause the Subscription Receipts to be deemed to be automatically converted or exchanged;
- provisions applicable to any escrow of the gross or net proceeds from the sale of the Subscription Receipts plus any interest or income earned thereon, and for the release of such proceeds from such escrow;
- if applicable, the identity of the Subscription Receipt agent;
- whether the Subscription Receipts will be listed on any securities exchange;
- whether the Subscription Receipts will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Subscription Receipts are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Subscription Receipts and the Securities to be issued upon conversion or exchange of the Subscription Receipts;
- any other rights, privileges, restrictions and conditions attaching to the Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts;
- material Canadian and United States income tax consequences of owning or converting or exchanging the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts and the Securities to be issued upon the exchange of the Subscription Receipts.

The terms and provisions of any Subscription Receipts offered under a Prospectus Supplement may differ from the terms described above, and may not be subject to or contain any or all of the terms described above.

Prior to the exchange of any Subscription Receipts, holders of such Subscription Receipts will not have any of the rights of holders of the Securities for which the Subscription Receipts may be exchanged, including the right to receive payments of dividends or the right to vote such underlying securities.

## **Units**

The Company may issue Units comprised of one or more of the other Securities described in this Prospectus in any combination, as described in the applicable Prospectus Supplement. Each Unit will be issued so that the holder of the Unit is also the holder of each of the Securities included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included Security. The unit agreement, if any, under which a Unit is issued may provide that the Securities included in the Unit may not be held or transferred separately, at any time or at any time before a specified date.

The particular terms and provisions of Units offered by any Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Units. This description will include, where applicable:

- the number of Units offered;
- the price or prices, if any, at which the Units will be issued;
- the currency at which the Units will be offered;
- the Securities comprising the Units;
- whether the Units will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Units and the Securities comprising the Units are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Units or the Securities comprising the Units;
- any other rights, privileges, restrictions and conditions attaching to the Units or the Securities comprising the Units; and
- any other material terms or conditions of the Units or the Securities comprising the Units, including whether and under what circumstances the Securities comprising the Units may be held or transferred separately.

The terms and provisions of any Units offered under a Prospectus Supplement may differ from the terms described above, and may not be subject to or contain any or all of the terms described above.

#### PRIOR SALES

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

#### **Common Shares**

Date Issued	Number of Common Shares	Issue Price per Share	Consideration
October 28, 2020	63,621,026	\$0.30 <sup>(1)</sup>	Amalgamation Agreement <sup>(2)</sup>
October 28, 2020	5,000,000	\$0.30 <sup>(1)</sup>	Finder’s Fee <sup>(3)</sup>
December 8, 2020	1,200,000	N/A	Services <sup>(4)</sup>

#### **Notes:**

- <sup>(1)</sup> The deemed issue price for these shares was previously disclosed as \$0.16 per share in the pro forma financial statements included in the Company’s Listing Statement, but has been updated in this Prospectus to \$0.30. The revised issue price of \$0.30 per share for these transactions represents a deemed price per share that was calculated based on a January 2020 promissory note issued to 1205457 B.C. Ltd. which was amended on October 28, 2020 to include a \$0.30 conversion price, which the Company believes provides the best indicator of the fair market value of the shares as of the date of issue.
- <sup>(2)</sup> Issued pursuant to the Amalgamation. See “*General Development of the Business – The Amalgamation.*”
- <sup>(3)</sup> Represents a finder’s fee payable to arm’s length finders in connection with the Amalgamation.

- (4) Issued in consideration for services provided pursuant to the terms of an Advertising and Corporate Communications Agreement between the Company and First Marketing GmbH, an arm's length service provider.

### **Convertible Securities**

<b>Date Issued</b>	<b>Description</b>	<b>Number of Securities</b>	<b>Price per Security/Exercise Price</b>
October 28, 2020	Stock Options	1,350,000	\$0.020 <sup>(1)</sup>
October 28, 2020	Stock Options	5,446,676	\$0.075 <sup>(1)</sup>
October 28, 2020	Stock Options	3,800,000	\$0.30 <sup>(1)</sup>
October 28, 2020	Warrants	12,000,000	\$0.05 <sup>(1)</sup>
October 28, 2020	Finders Warrants	464,992	\$0.50 <sup>(1)</sup>
October 28, 2020	Performance Securities	12,000,000	\$0.02 <sup>(1)</sup>
January 5, 2021	Special Warrants	6,061,033	\$0.505 <sup>(2)</sup>
January 5, 2021	Finders Warrants	218,971	\$0.65 <sup>(2)</sup>
January 20, 2021	Special Warrants	10,834,458	\$0.505 <sup>(2)</sup>
January 20, 2021	Finders Warrants	395,817	\$0.65 <sup>(2)</sup>
January 21, 2021	Stock Options	3,744,000	\$0.73

#### **Notes:**

- (1) Issued pursuant to the Amalgamation.  
(2) Issued in connection with the Special Warrant Offering.

### **TRADING PRICE AND VOLUME**

On November 1, 2020, the Company began trading on the CSE under the trading symbol "PULL". The table below summarizes the range and volume of trading prices for each of the months stated:

	<b>Trading Price (\$)</b>		<b>Volume</b>
	<b>High</b>	<b>Low</b>	
March 1 – 3, 2021	0.60	0.50	1,561,049
February 2021	0.83	0.54	14,946,861
January 2021	0.77	0.58	9,614,950
December 2020	0.89	0.55	9,894,166
November 2020	0.68	0.46	9,092,069

Prior to the Amalgamation, the Company's Common Shares were listed on the NEX Board of the TSXV under the trading symbol "BSP.H". Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.



The following table sets forth high and low trading prices and volume on the TSXV for the periods indicated:

	Trading Price (\$)		Volume
	High	Low	
March 2020 - October 2020	Halted		
February 2020	0.065	0.050	7,500
January 2020	0.065	0.065	-
December 2019	0.065	0.055	14,500
November 2019	0.100	0.055	1,200
October 2019	0.100	0.075	125,000
September 2019	0.075	0.075	-
August 2019	0.075	0.075	-
July 2019	0.075	0.075	-
June 2019	0.080	0.070	55,200
May 2019	0.070	0.070	-
April 2019	0.070	0.070	-
March 2019	0.090	0.070	4,000

## RISK FACTORS

Investing in Securities of the Company involves a significant degree of risk and must be considered speculative due to the high-risk nature of the Company's business. Investors should carefully consider the information included or incorporated herein by reference in this Prospectus (including subsequently filed documents incorporated by reference) and the Company's historical consolidated financial statements and related notes thereto before making an investment decision concerning the Securities. There are various risks that could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company. These risk factors, together with all of the other information included, or incorporated by reference in this Prospectus, including information contained in the section entitled "*Forward-Looking Statements*" should be carefully reviewed and considered before a decision to invest in the Securities is made. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business. In addition, risks relating to a particular offering of Securities will be set out in a Prospectus Supplement relating to such offering.

### Risks Related to the Cannabis Operations of the Company

#### *Regulatory Risks*

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on business or intends to carry on business. The activities of the Company are subject to various laws, regulations and guidelines by governmental authorities, including, but not limited to, Health Canada. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products and/or provision of its services. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products and services, or the extent of testing

and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to conduct business in the jurisdictions and industries in which it currently operates or intends to operate, including the cannabis and natural health supplements industries. Amendments to current laws and regulations governing the Company's current and/or intended operations, more stringent implementation thereof or other unanticipated events could have a material adverse impact on the business, financial condition and operating results of Corporation.

### ***Regulatory Approvals, Permits and Licenses***

The Processing License and any other licenses the Company obtains in Canada and/or abroad are expected to be subject to ongoing compliance and reporting requirements. Although the Company believes it will meet the requirements for their applications and future renewals for their licenses (if awarded), there can be no guarantee that government bodies will award or renew any applicable licenses or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Failure by the Company to comply with the requirements of its licenses or any failure to maintain such licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Should any jurisdiction in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses to other businesses, the business, financial condition and results of operations of the Company could be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company may be prevented from continuing to operate and/or expanding its business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

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

The Company's operations are subject to various laws, regulations, guidelines and licensing requirements both in Canada and potentially abroad. The Company is in compliance with all such laws, but any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition. In particular, any amendment to or replacement of Bill C-45, *An Act respecting cannabis and to amend the Controlled Drug and Substances Act, the Criminal Code and other Acts (Canada)* (the "**Cannabis Act**") may cause adverse effects to the Company's operations.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age of 18 years for purchase and consumption of cannabis. On June 21, 2018, the Cannabis Act received Royal Assent and came into force on October 17, 2018. The Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Company should be comparable to other companies in the same business as the Company.

Further, the general legislative framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories. Unfavourable

regulatory changes, delays or both may therefore materially and adversely affect the future business, financial condition and results of operations of the Company.

In addition, the 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 Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic.

### ***The Canadian Cannabis Market***

As a license holder under the Cannabis Act, the Company is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

### **Risks Related to the Functional Mushroom Operations of the Company**

#### ***Requirement for Licenses Which Have Yet Not Been Obtained and Licensing Risks***

The Company's ability to sell its products in Canada is dependent on the Company receiving its required licenses under the NNHPD. None of the Company's planned functional mushroom products have received the required licenses yet and there is a risk that its proposed products may never obtain the required product licenses or that the Company will not obtain the required licenses on the timeline anticipated by the Company. The timing and success of an applicant under the NNHPD at the various steps in the authorization process is beyond the Company's control and is in the sole discretion of Health Canada. If the Company is able to obtain the requisite licenses, failure to comply with the requirements of any of the licenses could have a material adverse impact on the business, financial condition and operating results of the Company.

#### ***Raw Materials***

The Company will be required to acquire enough mushrooms so that its functional mushroom products can be produced to meet the demand of its customers. A mushroom shortage could result in loss of sales and damage to the Company. If the Company becomes unable to acquire commercial quality mushrooms on a timely basis and at commercially reasonable prices, and is unable to find one or more replacement suppliers with the regulatory approvals to supply mushrooms at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Company's will likely be unable to meet customer demand.

#### ***Consumer Perception of Mushrooms***

The Company is dependent upon consumer perception of mushrooms and mushroom-derived products. The public may associate its mushrooms with illegal psychoactive mushrooms, which are prohibited substances. If the mushroom market declines or mushroom-derived products fail to achieve substantially greater market acceptance than they currently enjoy, the Company will not be able to grow its revenues sufficiently for it to achieve consistent profitability from its functional mushroom operations. Sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of mushrooms. Adverse publicity about mushroom-derived products that the Company sells may discourage consumers from buying the Company's functional mushroom products. The

Company's revenues may thus be negatively impacted if the market does not fully accept mushrooms-based health-food products.

## **Risks Related to the Cannabis and Functional Mushroom Industries**

### ***Legislative or Regulatory Reform***

The Company's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of the Company's management, the Company is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company, may cause adverse effects to its operations and financial condition.

The recreational and medical cannabis industries and the functional mushroom industry are relatively new markets and the Company anticipates that such regulations will be subject to change as the Federal Government monitors licensed companies.

### ***Unfavourable Publicity or Consumer Perception***

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company'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 Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed 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.

### ***Development of Brands, Products and Services***

If the Company cannot successfully develop, manufacture, distribute and provide its brands, products and services, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop successful brands, market-ready commercial products at acceptable costs, or provide sufficient services, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in its manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

### ***Entry Bans into the United States***

Cannabis is illegal under United States (U.S.) federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of Customs and Border Protection (“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 that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada’s legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. 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 U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

If any of the Company’s directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Company’s ability to operate in the U.S. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the U.S. could make it more difficult for the Company to continue to retain and engage qualified directors, officers and employees in the future.

### ***Product Liability***

As a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company’s products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company’s products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company’s products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company’s reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company’s potential products.

### ***Product Recalls***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company’s products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one

of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### ***Competition***

There is potential for the Company to face intense competition from other companies, some of which have longer operating histories and more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger and better-financed competitors with geographic and other structural advantages could materially and adversely affect the proposed business, financial condition and results of operations of the Company. To date, the application process to secure a license under the Cannabis Act has remained rigorous and highly competitive. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants.

If the number of users of medical and/or recreational cannabis and functional mushroom products in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of the Company.

### ***Client Acquisition and Retention***

The Company's success will depend to a substantial extent on the willingness of new licensed producers and new customers to try or migrate to its service and products. If customers do not perceive the benefits of the Company's products or services, then the market for these products and services may not develop at all, or it may develop more slowly than expected, either of which would significantly adversely affect operating results. In addition, as a new company in this competitive market, the Company has limited insight into trends that may develop and affect its business. The Company may make errors in predicting and reacting to relevant economic and currency-related trends, which could harm its business.

There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to, the Company's ability to provide desirable and effective products and services, the Company's ability to successfully implement a customer-acquisition plan, continued growth in the number of medical and recreational cannabis users and the number of competitors providing similar products and services.

### ***Transportation Risks***

Due to the perishable nature of its proposed products, the Company depends on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Company.

### ***Market Unpredictability***

Because the cannabis and functional mushroom industries are in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established corporations whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are

accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

### ***Business in New Industries***

The cannabis and functional mushroom industries are relatively new, and the sale of cannabis extracts, mushroom extracts and various derivative products even more so. There can be no assurance that an active and liquid market for the Common Shares of the Company will develop and Shareholders may find it difficult to resell their Common Shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

### ***Fraudulent or Illegal Activity***

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Risks Related to the Operations of the Company Generally**

#### ***Risks related to the Company's Facilities***

Any adverse changes affecting the development of the Pemberton Facility and product processing could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Company's facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- (a) delays in obtaining, or conditions imposed by, regulatory approvals;
- (b) plant design errors;
- (c) environmental pollution;
- (d) non-performance by third party contractors;
- (e) increases in materials or labour costs;
- (f) construction performance falling below expected levels of output or efficiency;
- (g) breakdown, aging or failure of equipment or processes;
- (h) contractor or operator errors;
- (i) labour disputes, disruptions or declines in productivity;
- (j) inability to attract sufficient numbers of qualified workers;
- (k) disruption in the supply of energy and utilities;
- (l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms;

- (m) contamination of third-party acquired biomass;
- (n) inability to source processing solvents and product ingredients for manufactured products;
- (o) unfavourable changes in local by-laws and regulations; or
- (p) flooding of the industrial park where the Pemberton Facility is located.

It is also possible that the costs of analytical and research services and hemp/cannabis cultivation, as applicable, may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

### ***Environmental Risk and Regulation***

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates or intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations.

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

### ***Limited Operating History***

PET was incorporated and began carrying on business in May of 2018. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

### ***Negative Cash Flow From Operations***

The Company has negative operating cash flow. The Company cannot guarantee if it will have positive cash flow from operating activities in future periods. The Company cannot provide any assurance that it will achieve sufficient revenues from sales to achieve or maintain profitability or positive cash flow from operating activities. If the Company does not achieve or maintain profitability or positive cash flow from operating activities, then there could be a material adverse effect on the Company's business, financial condition and results of operation and the Company may need to deploy a portion of its working capital to fund such negative operating cash flows or seek additional sources of funding, of which there is no assurance that any required funding will be obtained.

In the event that cash flow from operations do not adequately support the fixed costs of the Company, the Company will then be required to re-evaluate its planned expenditures, reallocate its total resources and may require future financings in such a manner as the Board of Directors and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of the Company's existing and planned operations. The presence of these conditions may indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.



### ***Volatile Stock Price***

The stock price of the Company is expected to be highly volatile and will be drastically affected by governmental and regulatory regimes and community support for the cannabis industry. The Company cannot fully predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Company's decisions related to future operations and will likely trigger major changes in the trading price of the Company shares.

### ***Energy Costs***

The Company's cannabis processing operations consume considerable energy, which make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably.

### ***Shelf Life Inventory***

The Company holds finished goods in inventory and such inventory has a shelf life. Even though it is the intention of the Company's management to continue to review the amount of inventory on hand in the future, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's proposed business, financial condition, and results of operations.

### ***Reliance on Management***

Another risk associated with the production and sale of cannabis extracts is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment 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. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

In addition, the Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them.

### ***Conflicts of Interest***

There are potential conflicts of interest to which the directors and officers of the Company will be subject in connection with the operations of the Company. In particular, certain of the directors and officers of the Company are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the Business Corporations Act (British Columbia) ("**BCBCA**"). In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of the Company and, if the conflict involves a director, the director will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or Management, may have a conflict. In accordance with the provisions of the BCBCA the directors and officers of the Company are required to act honestly in good faith, with a view to the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

### ***Insurance and Uninsured Risks***

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### ***Dependence on Suppliers and Skilled Labour***

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to sufficient cannabis and mushroom biomass, skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of biomass, skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

### ***Difficulty to Forecast***

The Company 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 cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

### ***Additional Financing***

There is no guarantee that the Company will be able to continue to execute on its business strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Further, the Company's business activities rely on newly established and/or developing laws and regulations in Canada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by Health Canada or the CSE. 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 Company's industry may adversely affect the business and operations of the Company, 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 Company.

### ***Management of Growth***

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### ***Internal Controls***

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

### ***Liquidity***

The Company cannot predict at what prices the Company's Common Shares will trade, and there can be no assurance that an active trading market in the Company will develop or be sustained. There is a significant liquidity risk associated with an investment in the Company.

### ***Dilution***

The Company may issue equity securities to finance its activities, including future acquisitions. If the Company was to issue Common Shares, existing holders of such shares may experience dilution in their holdings. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

### ***Litigation***

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could consume significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources of the Company.

### ***The Effects of Health Epidemics (Including the Global COVID-19 Pandemic)***

In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally including across North America. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada and the United States, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses.

The Company's business could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. The risk of a pandemic, or public perception of the risk, could cause temporary or long-term disruptions to the Company's supply chains and/or its service providers or could result in

reduced spending on the Company's products and services. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Company's operations if employees who cannot perform their responsibilities from home are not able to report to work.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Company's business and the value of its common stock.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Company's business, operations and financial performance will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, changes to the regulatory regimes under which we operate, the effectiveness of actions taken in Canada and other countries to contain and treat the disease and whether the Canada and additional countries are required to move or return to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

#### ***Inability to Protect Intellectual Property Rights***

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions.

Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- patents in the cannabis and beverage industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;
- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;
- another party may obtain a blocking patent and the Company would need to either obtain a licence or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

#### ***Reliance on Information Technology Systems and Cyberattacks***

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a

number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### ***Risks Associated with Entry into Psychoactive Product Market***

The psychedelic industry is a relatively new and rapidly transforming industry. Psychedelics are illegal substances other than when used for scientific or medical purposes, and there continues to be stigma associated with such compounds. By entering the market for psychoactive compounds, the Company will be operating a part of its business in a very new industry and market and its operations may be subject to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. The Company may incur ongoing costs and obligations related to licensure and regulatory compliance. Failure to comply with such obligations may result in additional costs for corrective measures, significant penalties or in restrictions of operations.

As a result of perceived reputational risk associated with entry into the psychedelics industry, the Company may also have difficulty establishing or maintaining bank accounts, accessing public and private capital, or establishing desired or necessary business relationships, which could have a material adverse effect on the Company. In addition, the Company will have to build brand awareness in this industry through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. The psychedelic market faces specific marketing challenges given the products' status as a controlled substance, which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects. Any future marketing efforts undertaken by the Company would need to overcome this perception to build consumer confidence, brand recognition and goodwill.

Given the nascence of the industry, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. As this industry is subject to extensive controls and regulations, the impact of various legislative regimes on the Company's business plans and operations is uncertain. There is no guarantee that the applicable legislation regulating the research and development of controlled substances will create or allow for the growth opportunities the Company currently anticipates.

Furthermore, there can be no assurance that the psychedelic market and industry will continue to exist and grow as anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations. Furthermore, the Company's foray into the market for psychoactive compounds for use in medical research will compete with other entities that are developing or supplying psychoactive compounds for use in medical research, including clinical trials.

## **CERTAIN INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement will describe certain Canadian federal income tax consequences to investors described therein of acquiring Securities.

## **LEGAL MATTERS**

Certain legal matters relating to the Securities offered by this Prospectus will be passed upon for us by McMillan LLP, Vancouver, British Columbia, with respect to matters of Canadian securities laws.

## **INTEREST OF EXPERTS**

The following are the names of each person or company who has prepared or certified a report, valuation, statement or opinion in this Prospectus, either directly or in a document incorporated by reference and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or the Company.

- McMillan LLP is the Company's counsel with respect to Canadian legal matters herein; and
- Smythe LLP, Chartered Professional Accountants, is the external auditor of the Company and reported on (i) the Company's audited consolidated financial statements for the year ended December 31, 2019, which are filed on SEDAR and (ii) PET's financial statements for the financial year ended June 30, 2020, which are included in the Listing Statement as filed on SEDAR.

As at the date hereof, the "designated professionals" (as such term is defined in Form 51-102F2 – Annual Information Form) of McMillan LLP beneficially own, directly or indirectly, less than one percent of the Company's securities of any class.

## **AUDITOR**

The independent auditors of the Company are Smythe LLP, Chartered Professional Accountants, of Vancouver, British Columbia. Smythe LLP is independent of the Company in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the Company is AST Trust Corporation at its office located in Vancouver, British Columbia.

## **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

The Company is subject to the information requirements of applicable Canadian securities legislation and, in accordance therewith, files reports and other information with the securities regulators in Canada. You may read and download any public document that the Company has filed with the Canadian securities regulatory authorities under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **STATUTORY RIGHTS OF WITHDRAWAL AND RECISSION**

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 or a Prospectus Supplement (including a pricing supplement) relating to the Securities purchased by a purchaser and any amendment thereto. In several of the provinces of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages, if the prospectus or

Prospectus Supplement (including a pricing supplement) relating to the Securities purchased by a purchaser and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission 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 adviser.

In an offering of convertible, exchangeable or exercisable Securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the convertible, exchangeable or exercisable Securities 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.

### **CONTRACTUAL RIGHTS OF RESCISSION**

In addition to statutory rights of withdrawal and rescission, original purchasers of warrants (if offered separately from other Securities) and subscription receipts (including the Subscription Receipts) will have a contractual right of rescission against the Company in respect of the exercise of such warrant or subscription receipt, as the case may be.

The contractual right of rescission will entitle such original purchasers to receive, in addition to the amount paid on original purchase of the warrant or subscription receipt (or units comprised partly thereof), as the case may be, the amount paid upon exercise upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the warrant or subscription Receipt under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of purchase of the warrant or subscription receipt under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under Section 131 of the *Securities Act* (British Columbia), and is in addition to any other right or remedy available to original purchasers under Section 131 of the *Securities Act* (British Columbia) or otherwise at law.

Original purchasers are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the security that was purchased under a prospectus, and therefore a further payment at the time of exercise may not be recoverable in a statutory action for damages. 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 addition, to the extent that we file a Prospectus Supplement to qualify the Underlying Shares and Underlying Warrants issuable upon conversion of the Special Warrants, we will grant to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Subscription Receipt that was automatically converted into the Special Warrant was initially acquired. The contractual right of rescission will provide that if a holder of a Special Warrant who acquires Underlying Shares and Underlying Warrants on exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to this Prospectus containing a misrepresentation, (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the Subscription Receipt that was automatically converted into the Special Warrant was initially acquired, (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the agent or Company, as the case may be, on the acquisition of the Subscription Receipt that was automatically converted into the Special Warrant, and (c) if the holder is a permitted assignee of the interest of the original Subscription Receipt subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

## PROMOTER

Doug Benville, a Director and the Chief Operating Officer of the Company, is considered a promoter of the Company as he was instrumental in the founding and organization of the business of PET. Mr. Benville beneficially owns, controls or directs, 2,400,000 Common Shares representing less than 3.2% of the issued and outstanding Common Shares as of the date of this AIF, on a non-diluted basis. In addition, Mr. Benville holds 3,600,000 Performance Securities at an exercise price of \$0.02 and Options to purchase 750,000 Common Shares at an exercise price of \$0.075. For the financial year ended June 30, 2020, Mr. Benville received from PET an aggregate sum of \$152,215 in cash as compensation for his services with PET. Subsequent to the financial year ended June 30, 2020, Mr. Benville received from PET and the Company an aggregate sum of \$83,333.33 in cash as compensation for his services with PET and the Company.



**CERTIFICATE OF THE COMPANY**

Dated: March 4, 2021

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of a particular distribution of securities under the prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island.

"Ben Nikolaevsky"

President and  
Chief Executive Officer

"Yana Popova"

Chief Financial Officer

On Behalf of the Board of Directors

"Sean Bromley"

Director

"Dwight Duncan"

Director

## CERTIFICATE OF THE PROMOTER

Dated: March 4, 2021

This short form prospectus, together with the documents incorporated by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island.

*"Doug Benville"*

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Promoter