*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, except as permitted under the Agency Agreement (as defined herein), the securities offered hereby may not be offered or sold, directly or indirectly, in the United States of America, its territories, or its possessions, any state of the United States of America or the District of Columbia (the "**United States**), or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act ("**U.S. Persons**")). This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".*

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the legal counsel of the issuer at 2080-777 Hornby Street, Vancouver, B.C, V6Z 1S4, 604.633.4289, and are also available electronically at* www.sedar.com.

SHORT FORM PROSPECTUS

NEW ISSUE **DATED: August 30, 2018**

FRIDAY NIGHT INC.

Minimum of $7,000,000 and up to a Maximum of $15,000,000
10% Unsecured Convertible Debenture Units

Price $1,000 per Convertible Debenture Unit

This short form prospectus (the "**Prospectus**") qualifies the distribution and offering (the "**Offering**") to purchasers resident in British Columbia, Alberta, Saskatchewan and Ontario (the "**Offering Jurisdictions**"), and other jurisdictions outside of Canada as may be permitted by applicable law, of a minimum of 7,000 (the "**Minimum Offering**") and a maximum of up to 15,000 (the "**Maximum Offering**") unsecured convertible debenture units (the "**Debenture Units**") of Friday Night Inc. (the "**Company**") at a price of $1,000 per Debenture Unit (the "**Offering Price**") for aggregate gross proceeds of a minimum of $7,000,000 and a maximum of up to $15,000,000.

The Debenture Units are being sold pursuant to an agency agreement (the "**Agency Agreement**") dated August 30, 2018 among the Company, Canaccord Genuity Corp., as sole book-runner and lead agent, and Beacon Securities Limited (the "**Agents**"). The terms of the Offering, including the Offering Price, were determined by arm's length negotiation between the Company and the Agents with reference to the prevailing market price for the Company's common shares (each, a "**Share**"). See "*Description of Securities Distributed*" and "*Plan of Distribution*".

Each Debenture Unit will consist of: (i) one 10% unsecured convertible debenture of the Company in the principal amount of $1,000 (each, a "**Convertible Debenture**"), with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2018 (each, an "**Interest Payment Date**"), and maturing three years from the date the Convertible Debentures are issued (the "**Maturity Date**"), and (ii) 2,222 Share purchase warrants (each, a "**Warrant**") expiring 36 months from the date of issuance of such Warrants. Further particulars of the attributes of the Convertible Debentures and the Warrants are set out below under *"Description of the Securities Distributed"*.

Debenture Conversion Privilege

The Convertible Debentures will be convertible at the option of the holder into Shares (the "**Debenture Shares**") at any time prior to the earlier of: (i) the last business day immediately preceding the Maturity Date, and (ii) the date fixed for redemption of the Convertible Debentures upon a Change of Control (as defined herein), at a conversion price of $0.45 per Debenture Share, subject to adjustment in certain events (the "**Conversion Price**"). Holders converting the Convertible Debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest Interest Payment Date to, and including, the date of conversion.

The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures (the "**Mandatory Conversion**") at the Conversion Price on not less than 30 days' notice should the daily volume weight average trading price of the Shares on the Canadian Securities Exchange (the "**CSE**") be greater than $0.70 for any 10 consecutive trading days, subject to the Mandatory Conversion being permitted under the policies of the principal exchange for any trading of the Convertible Debentures or the Shares at that time.

The Convertible Debentures will be governed by a debenture indenture to be entered into on the Closing Date (as defined herein) between the Company and Odyssey Trust Company ("**Odyssey**") as debenture agent. The Warrants will be governed by a warrant indenture to be entered into on the Closing Date between the Company and Odyssey as warrant agent.

Each Warrant will entitle the holder thereof to acquire one Share (each, a "**Warrant Share**") at an exercise price of $0.65 per Warrant Share (the "**Exercise Price**) at any time up to 36 months following the Closing Date, subject to adjustment in certain events.

The Debenture Units are immediately separable into the Convertible Debentures and Warrants and the Convertible Debentures and Warrants will be issued separately. See *"Description of Securities Distributed"*.

The issued and outstanding Shares are listed and posted for trading on the CSE under the symbol "TGIF". On August 29, 2018, the last trading day prior to the date of this Prospectus, the closing price of the Shares on the CSE was $0.455.

This short form prospectus also qualifies the distribution of the Debenture Shares and the Warrant Shares (collectively, the "**Underlying Securities**"). The Company will apply to list the Convertible Debentures,

the Warrants, the Underlying Securities, the Agents' Unit Shares (as defined herein), the Agents' Unit Warrants (as defined herein) and the Agents' Unit Warrant Shares (as defined herein) on the CSE. Such listings will be subject to the Company fulfilling all of the listing requirements of the CSE, including any distribution requirements.

	Price to Public		**Agents' Commission** [(1)]		**Net Proceeds to the Company** [(2)]	
	Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Per Debenture Unit	$1,000		$80		$913	$917
Offering	$7,000,000	$15,000,000	$560,000	$1,200,000	$6,390,000	$13,750,000
Over-Allotment Option [(3)]	$1,050,000	$2,250,000	$84,000	$180,000	$966,000	$2,070,000
Total	**$8,050,000**	**$17,250,000**	**$644,000**	**$1,380,000**	**$7,356,000**	**$15,820,000**

Notes:

(1) Pursuant to the Agency Agreement and in consideration for the services rendered by the Agents, the Company has agreed to pay to the Agents a cash commission (the "**Agents' Commission**") equal to 8.0% of the gross proceeds of the Offering (including any gross proceeds raised on the exercise of the Over-Allotment Option (as defined below)), payable in cash. The Agents will also be paid a corporate finance fee of $50,000 (the "**Corporate Finance Fee**"), of which $25,000 has been paid and will be issued non-transferable warrants (the "**Agents' Warrants**") to acquire units of the Company (the "**Agents' Units**") in an amount equal to 8.0% of the number of Debenture Shares that would be issued assuming a conversion of 100% of the Convertible Debentures (including any Debenture Shares issuable on the conversion of any Convertible Debentures issued on the exercise of the Over-Allotment Option) at an exercise price of $0.45 per Agents' Unit, exercisable for a period of 36 months from the Closing Date (as defined herein). Each Agents' Unit consists of one Share (each an "**Agents' Unit Share**") and one whole Share purchase warrant (each, an "**Agents' Unit Warrant**"), having the same terms as the Warrants. The distribution of the Agents' Warrants and the underlying Agents' Units (including the Agents' Unit Shares, Agents' Unit Warrants and Shares underlying the Agents' Unit Warrants ("**Agents' Unit Warrant Shares**")) are also qualified for distribution under this Prospectus. The Agents will also be reimbursed by the Company for the Agents' expenses incurred pursuant to the Offering, of which $20,000 has been paid as a retainer. See "*Plan of Distribution*".

(2) Before deducting estimated expenses of the Offering, estimated at $250,000, which together with the Agents' Commission and Corporate Finance Fee, will be paid from the gross proceeds of the Offering. See "*Use of Proceeds*".

(3) The Company has granted to the Agents an over-allotment option (the "**Over-Allotment Option**"), exercisable on any day up to 60 days following the Closing Date, to sell up to a further 15% of the Debenture Units sold pursuant to the Offering, at the Offering Price. This Prospectus also qualifies the grant of the Over-Allotment Option and the issuance of the Convertible Debentures, Warrants and Underlying Securities issuable upon exercise of the Over-Allotment Option. The table presents the "Price to the Public", "Agents' Commission" and "Net Proceeds to the Company" should the Over-Allotment Option be exercised in full in each of the cases of the Minimum Offering and the Maximum Offering. Unless the context otherwise requires, when used herein, all references to the "Offering" include the exercise of the Over-Allotment Option, all references to "Debenture Units" include any Debenture Units issuable upon the exercise of the Over-Allotment Option and all references to "Convertible Debentures", "Warrants" or "Underlying Securities" include the component portions of the Debenture Units issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Debenture Units forming part of the Agents' over-allocation position acquires such Debenture Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution".*

The Offering is not underwritten or guaranteed by any person or the Agents. The Agents, as exclusive agents of the Company for the purposes of the Offering, conditionally offers the Debenture Units, including any Debenture Units pursuant to the exercise of the Over-Allotment Option, for sale on a commercially reasonable efforts basis and subject to prior sale, if, as and when issued by the Company and accepted by the Agents, in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*".

The following table sets forth the number of securities issuable to the Agents (assuming completion of the Maximum Offering):

Agents' Position	Maximum size or number of securities available	Exercise period or acquisition date	Exercise price or average acquisition price
Over-Allotment Option	Option to acquire up to 2,250 Debenture Units	Up to 60 days from the Closing Date	$1,000 per Debenture Unit
Agents' Warrants	Up to 3,066,666 Agents' Warrants (including Agents' Warrants issuable in connection with the Over-Allotment Option)	Up to 36 months following the Closing Date (in relation to the Agents' Units underlying the Agents' Warrants)	Issued for no additional consideration

Subscriptions for Debenture Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. If the Minimum Offering is not completed within 90 days of the issuance of a receipt for the Prospectus, or if a receipt has been issued for an amendment to the Prospectus, within 90 days of the issuance of such receipt and in any event not later than 180 days from the date of receipt for the Prospectus, the distribution will cease, and all subscription monies will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agents.

It is anticipated that the Debentures and the Warrants distributed under this Prospectus will be delivered in book-entry form or the non-certificated inventory system of CDS Clearing and Depository Services Inc. ("**CDS**"), or its nominee, and will be deposited in electronic form (subject to certain limited exceptions) on the closing of the Prospectus Offering, which is expected to be on or about September 7, 2018 (the "**Closing Date**") or such other date as may be agreed upon by the Company and the Agents. Purchasers of Debenture Units will receive only a customer confirmation from the Agents as to the number of Debenture Units subscribed for (subject to certain limited exceptions). Certificates representing the Convertible Debentures and Warrants in registered and definitive form will be issued in certain limited circumstances.

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price for the Shares at levels other than those which otherwise might prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Certain legal matters relating to the Offering have been reviewed on behalf of the Company by S. Paul Simpson Law Corporation of Vancouver, British Columbia and on behalf of the Agents by DLA Piper (Canada) LLP of Calgary, Alberta.

Due to the nature of the Company's business, an investment in any securities of the Company is highly speculative and involves a high degree of risk. An investment in the Company's securities should only be undertaken by those persons who can afford the total loss of their investments. The risk factors identified under the headings "*Forward-Looking Information*" and "*Risk Factors*" in this Prospectus and in the AIF (as defined herein) should be considered carefully by prospective subscribers before purchasing these securities.

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

The Convertible Debentures and the Debenture Shares issuable upon the conversion thereof are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

The earnings coverage ratio of the Company for the 12-month periods ended July 31, 2017 and April 30, 2018 is less than one-to-one. See "*Earnings Coverage Ratios*".

There is currently no market through which the Convertible Debentures or Warrants may be sold and purchasers may not be able to resell Convertible Debentures or Warrants purchased under this Prospectus. This may affect the pricing of the Convertible Debentures and Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Convertible Debentures and Warrants, and the extent of issuer regulation.

Prospective purchasers should rely only on the information contained in or incorporated by reference in this Prospectus. Neither the Agents nor the Company has authorized anyone to provide prospective purchasers with different information. Readers should assume that the information appearing in this Prospectus is accurate only as of its date, regardless of its time of delivery or the time of any sale of securities offered hereunder and that the Company's business, financial condition, results of operations and prospects may have changed since that date.

The Company is not a related or connected issuer (as such terms are defined in National Instrument 33-105 - *Underwriting Conflicts*) to the Agents. See "*Relationship between the Company and the Agents*".

Unless the context requires otherwise, references in this Prospectus to the "Company" and "Friday Night" mean Friday Night Inc. and its subsidiaries.

The head and principal office of the Company is located at 105, 45655 Tamihi Way, Chilliwack, British Columbia V2R 2M3 and its registered office is located at Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

All currency amounts in this Prospectus are stated in Canadian dollars, unless otherwise specified.

This Prospectus qualifies the distribution of securities of an entity that is directly involved in the United States cannabis industry insofar as its business activities include the cultivation, production, manufacturing and distribution of cannabis and cannabis-related products where use of cannabis is legal for medical and/or adult use purposes, as applicable.

While some states in the United States have authorized the use and sale of cannabis, it remains illegal under U.S. federal law. Because the Company engages in cannabis-related activities in the United States, an increase in federal enforcement efforts with respect to current U.S. federal laws applicable to cannabis could cause significant financial damage to the Company. In addition, the Company is at risk of being prosecuted under U.S. federal law and having its assets seized. Enforcement of the U.S. federal law is a significant risk.

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

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

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ELIGIBILITY FOR INVESTMENT

In the opinion of S. Paul Simpson Law Corporation, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agents based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively the "**Tax Act**"), and any specific proposals to amend the Tax Act publicly announced prior to the date hereof, and subject to the terms of any particular plan or accounts, on the Closing Date, the Convertible Debentures and Warrants offered pursuant to this short form prospectus, and the Shares issuable pursuant to the Convertible Debentures and the Warrants, will at the time of issuance be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), registered education savings plan ("**RESP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan ("**DPSP**") (other than, in the case of the Convertible Debentures, a trust governed by a DPSP to which the Company, or a corporation or employer that does not deal at arm's length with the Company, has made a contribution), registered disability savings plan ("**RDSP**") or tax-free savings account ("**TFSA**") (collectively, "**Registered Plans**"), provided that:

(a) in the case of the Convertible Debentures, on the date the Convertible Debentures offered pursuant to this Prospectus are issued, either (i) the Convertible Debentures are listed on a designated stock exchange (as defined in the Tax Act), which currently includes the CSE, or (ii) the Shares are listed on a designated stock exchange (as defined in the Tax Act), which currently includes the CSE,

(b) in the case of the Warrants, on the date the Warrants offered pursuant to this Prospectus are issued, either (i) the Warrants are listed on a designated stock exchange (as defined in the Tax Act), which currently includes the CSE, or (ii) the Shares are listed on a designated stock exchange (as defined in the Tax Act), which currently includes the CSE, and the Company is not a "connected person" under the Registered Plan. For this purpose, a "connected person" under a Registered Plan is a person who is an annuitant, beneficiary, employer or subscriber under, or a holder of, the Registered Plan, and each person that does not deal at arm's length with that person; and

(c) in the case of the Shares issuable pursuant to the Convertible Debentures and Warrants, on the date the Shares are issued, the Shares are listed on a designated stock exchange (as defined in the Tax Act), which currently includes the CSE.

Notwithstanding that the Convertible Debentures, Warrants and/or Shares, as the case may be, may be qualified investments for a trust governed by an RRSP, RRIF, TFSA, RESP or RDSP, the annuitant of an RRSP or RRIF, holder of TFSA or RDSP or subscriber of a RESP, as the case may be, will be subject to a penalty tax if the Convertible Debentures, Warrants or Shares, as the case may be, are a "prohibited investment" within the meaning of the Tax Act. The Convertible Debentures, Warrants and Shares generally will not be a prohibited investment for an RRSP, RRIF, TFSA, RESP or RDSP provided the annuitant of the RRSP or RRIF, holder of the TFSA or RDSP or subscriber of the RESP, as the case may be, (i) deals at arm's length with the Company, for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act for the purposes of the "prohibited investment" rules) in the Company. A Share will also not be a "prohibited investment" if such Share is "excluded property" as defined in the Tax Act for the purposes of the "prohibited investment" rules for trusts governed by an RRSP, RRIF, TFSA, RESP or RDSP.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular investor. Prospective purchasers who intend to hold Convertible Debentures, Warrants or Shares in a Registered Plan should consult their own tax advisors regarding their particular circumstances.

FORWARD-LOOKING INFORMATION

Certain information contained in this Prospectus and in certain documents incorporated by reference into this Prospectus constitutes "forward-looking information" within the meaning of applicable Canadian securities legislation. The use of any of the words "anticipate", "continue", "estimate", "intend", "potential", "expect", "may", "will", "project", "proposed", "should", "believe" and similar expressions are intended to identify forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this Prospectus and the documents incorporated by reference herein may contain forward-looking information attributed to third party industry sources. The Company believes that the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in, or incorporated by reference into, this Prospectus should not be unduly relied upon. Such information speaks only as of the date of this Prospectus or as of the date specified in the documents incorporated by reference into this Prospectus, as the case may be.

In particular, this Prospectus and the documents incorporated by reference contain forward-looking information pertaining to the following:

- the Offering Price and the completion and size of the Offering, including receipt of all regulatory approvals, including in relation to the listing of the Convertible Debentures, the Warrants, the Underlying Securities, the Agents' Unit Shares, the Agents' Unit Warrants and the Agents' Unit Warrant Shares on the CSE (and all such securities issued under and in connection with the exercise of the Over-Allotment Option, if applicable) and the timing thereof;
- the use of proceeds of this Offering by the Company;
- the exercise of the Over-Allotment Option;
- the expenses of the Offering;
- the Company's expected future losses and accumulated deficit levels;
- the requirement for, and the Company's ability to obtain, future funding on favourable terms or at all;
- market competition and agricultural advances of competitive products;
- the Company's expectations regarding the timing for availability of the Company's products and acceptance of its products by the market;
- the Company's strategy to develop new products and to enhance the capabilities of existing products;
- the Company's dependence on expanding its production and customer base;
- the Company's plans to market, sell and distribute its products;
- the Company's plans in respect of strategic partnerships for research and development;
- the Company's plans to retain and recruit personnel; and
- the Company's strategy with respect to the protection of its intellectual property.

With respect to forward-looking information contained in this Prospectus and the documents incorporated by reference herein, the Company has made various material assumptions, including but not limited to (i) obtaining necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and services offered by the Company's competitors; and (ix) that the Company's current relationships with its suppliers, service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements.

The Company's actual results could differ materially from those anticipated in such forward-looking information as a result of the risk factors set forth below and elsewhere in this Prospectus and the documents incorporated by reference herein:

- the extent of future losses;
- the actual financial position and results of operations of the Company may differ materially from the expectations of management;
- the ability to obtain the capital required to fund development and operations;
- the ability of the Company to effectively manage its growth and operations;
- the development and growth of the medical marijuana industry in general;
- the competition with the marijuana industry in general, which involves companies with higher capitalization, more experienced management or which may be more mature as a business;
- the ability to capitalize on changes to the marketplace;
- the ability to comply with applicable governmental regulations and standards;
- the ability to develop and commercialize medical cannabis and adult use cannabis in the United States;
- the ability to attract and retain skilled and experienced personnel;
- the impact of changes in the business strategies and development priorities of strategic partners;
- the impact of legislative changes to the medical cannabis and adult use cannabis regulatory process;
- general public acceptance of the marijuana industry;
- the impact of changes in the number of marijuana users in the United States;
- the yield from agricultural operations producing the Company's products;
- the ability to obtain legal protection and protect the Company's intellectual property rights and not infringe on the intellectual property rights of others;
- ongoing dilution to fund operations, capital expansion and mergers and acquisitions;
- stock market volatility; and
- other risks detailed from time-to-time in the Company's ongoing quarterly and annual filings with applicable securities regulators, including the AIF, and those which are discussed under the heading "*Risk Factors*".

These factors are not, and should not be construed as being, exhaustive.

The forward-looking information contained in this Prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information after the

date of this Prospectus to conform such information to actual results or to changes in the Company's expectations except as otherwise required by applicable Canadian securities laws.

NOTICE TO INVESTORS

Investors should read this entire Prospectus and the documents incorporated by reference herein and consult their own professional advisors to assess risk factors and the income tax, legal and other aspects of their investment in the Debenture Units.

An investor should rely only on the information contained in this Prospectus and the documents incorporated by reference herein and is not entitled to rely on parts of the information contained in this Prospectus to the exclusion of others. The Company has not, and the Agents have not, authorized anyone to provide investors with additional or different information than that contained in this Prospectus. If anyone provides an investor with additional or different or inconsistent information, including statements in media articles about the Company, the investor should not rely on it.

The Company is not, and the Agents are not, offering to sell the Debenture Units in any jurisdictions where the offer or sale is not permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Debenture Units. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

Any statements in this Prospectus made by or on behalf of management are made in such persons' capacities as an officer of the Company and not in their personal capacities.

For investors outside Canada, neither the Company nor the Agents have done anything that would permit the Offering, or possession or distribution of this Prospectus, in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this Prospectus.

Investors are urged to read the information under the headings "*Risk Factors*" and "*Forward-Looking Information*" appearing elsewhere in this Prospectus.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning the industry and the markets in which the Company operates, including its general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from its internal research, and include assumptions made by the Company which it believes to be reasonable based on its knowledge of the industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and the Company 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 and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Forward-Looking information*" and "*Risk Factors*".

FINANCIAL INFORMATION

The Company prepares its financial statements, which are incorporated by reference into this Prospectus, in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that are prepared in connection with the Offering are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus.

Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution of the Debenture Units under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

CURRENCY AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all references to "$", "CDN$" or "dollars" in this short form prospectus refer to Canadian dollars and references to "US$" or "US dollars" refer to United States dollars. The Company's accounts are maintained in Canadian dollars and in United States dollar.

The closing exchange rates for the USD to CDN dollar, as reported by the Bank of Canada, for the applicable periods are set forth below:

USD$1.00 to CDN$	Period from January 1, 2018 to the date prior to the date of this Prospectus	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Low	1.2288	1.2128	1.2536	1.1749
High	1.3310	1.3743	1.4559	1.3965
Period End	1.3002	1.2545	1.3427	1.384

The exchange rates as at August 29, 2018, as reported by the Bank of Canada for the conversion of Canadian dollars to United States dollars was CDN$1.00 equals USD$0.7733 or USD1.00 equals CDN$1.2931.

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 on request from the Company's legal counsel at

2080-777 Hornby Street, Vancouver, B.C., V6Z 1S4, fax no. 604-662-3231 or under the Company's SEDAR profile on www.sedar.com.

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

(a) annual information form of the Company for the year ended July 31, 2017 dated June 28, 2018 (the "**AIF**");

(b) audited consolidated financial statements of the Company for the years ended July 31, 2017 and July 31, 2016, together with the notes thereto and the auditor's report thereon;

(c) management's discussion and analysis of the Company for the fiscal year ended July 31, 2017;

(d) the amended unaudited condensed interim financial statements of the Company for the three and nine-month period ended April 30, 2018 as refiled on August 29, 2018;

(e) the amended management's discussion and analysis of the Company for the three and nine-month period end April 30, 2018 as refiled on August 29, 2018;

(f) the management information circular of the Company dated March 15, 2018 with respect to the annual and special meeting of the shareholders of the Company held on April 24, 2018;

(g) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**")) of the corporate presentation for the Offering dated and filed August 30, 2018;

(h) the "template version" (as such term is defined in NI 41-101) of the term sheet for the Offering dated and filed August 30, 2018;

(i) material change report of the Company dated August 17, 2017 regarding the closing of a $5,500,000 private placement of convertible debenture units;

(j) material change report dated July 24, 2018 regarding the execution of a land purchase agreement dated August 25, 2017 for the acquisition of a 1.39-acre parcel in Nevada;

(k) material change report dated July 24, 2018 regarding the execution of a two-year exclusive licensing agreement dated September 15, 2017 with the Real Kurupt's Moonrock LLC;

(l) material change report dated July 24, 2018 regarding the acceptance and filing of a special use permit land use application with the Clark County Commissioner as at September 28, 2017;

(m) material change report dated July 24, 2018 regarding the expansion of the Company's 91% owned subsidiary, Infused Mfg LLC ("**Infused**"), Canna Hemp product line to include a speciality line of pet products as at September 28, 2017;

(n) material change report of the Company dated October 6, 2017 regarding the closing of a $1,000,000 private placement of convertible debenture units;

(o) material change report of the Company dated November 6, 2017 regarding (i) the Company entering into an exclusive product licensing agreement with MariMed Advisors, (ii) the Company's 91% owned Nevada subsidiary Alternative Medicine Association LLC ("**AMA**") entering into as separate letter agreement with MariMed Advisors, on behalf of its client, Harvest Foundation, to operate and manage their facility and (iii) the appointment of Cameron Watt to the position of Executive Vice President of the Company;

(p) material change report dated July 24, 2018 regarding the execution by AMA of an agreement dated as at October 2, 2017 to provide cultivation services to a Nevada licensed facility owned by Harvest Foundation;

(q) material change report dated July 24, 2018 regarding the approval of a land use application by the Clark County Commission for the cultivation of cannabis at the Company's proposed cultivation facility in Nevada on November 8, 2017;

(r) material change report dated July 24, 2018 regarding the closing on November 14, 2017 of the purchase by AMA of the land parcel that will host its new cultivation facility;

(s) material change report dated July 26, 2018 regarding the execution by AMA of a production contract to produce concentrates for a Nevada dispensary chain at December 5, 2017;

(t) material change report dated July 24, 2018 regarding the graduation of the Company to the OTCQB effective as at December 12, 2017;

(u) material change report dated July 24, 2018 regarding the Company's CannaHemp product line commencing sales at dispensaries and retail outlets in the State of California as at December 15, 2017;

(v) material change report dated December 21, 2017 regarding the Company entering into a letter of intent dated December 20, 2017 to acquire Body & Mind Inc.;

(w) material change report dated July 24, 2018 regarding the issuance of common shares in payment of interest to debenture holders of as December 31, 2017;

(x) material change report dated July 24, 2018 regarding the execution of a land purchase agreement dated January 2, 2018 by AMA for the acquisition of a 2.78-acre parcel;

(y) material change report dated July 24, 2018 regarding the execution of a letter of intent to acquire Harvest Foundation LLC as at January 16, 2018;

(z) material change report dated July 24, 2018 regarding the appointment of Cameron Watt to the board of directors of the Company on February 5, 2018;

(aa) material change report of the Company dated July 24 2018 regarding the termination by the Company on February 20, 2018 of a letter of intent dated December 20, 2017 to acquire Body & Mind Inc.;

(bb) material change report of the Company dated March 2, 2018 regarding the completion of the acquisition of Spire Secure Logistics Inc. ("**Spire**");

(cc) material change report dated July 24, 2018 regarding the closing of a land purchase by AMA in Nevada of an additional 2.78-acre parcel on March 6, 2018;

(dd) material change report dated July 26, 2018 regarding the appointment on March 8, 2018 of Andrew Richards to the Company's board of directors;

(ee) material change report dated July 24, 2018 regarding the provision by Spire of consulting services to a Canadian provincial government for design and implementation of security program for the legal distribution and sale of cannabis as at April 12, 2018;

(ff) material change report dated July 24, 2018 regarding the election of Brian Farrell to the board of directors of the Company on April 24, 2018;

(gg) material change report dated July 24, 2018 regarding the commencement of construction on AMA's new cannabis cultivation facility in Las Vegas and the execution on May 15, 2018 of a purchase agreement for an existing building adjacent to AMA's cultivation facility;

(hh) material change report dated July 24, 2018 regarding the execution by Infused of a one-year license agreement with Scotty Nguyen on May 24, 2018;

(ii) material change report dated July 24, 2018 regarding the execution by Infused of a 12-month licensing agreement with Denver Dab Company on June 3, 2018;

(jj) material change report dated July 24, 2018 regarding the completion on June 6, 2018 of the building purchase in Las Vegas announced May 15, 2018;

(kk) material change report dated July 24, 2018 regarding the issuance of common shares in payment of interest to debenture holders as at June 30, 2018; and

(ll) material change report dated August 2, 2018 regarding the Offering.

Any documents of the type required by National Instrument 44-101 - *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis, information circulars, annual information forms and business acquisition reports, filed by the Company with the securities commissions or similar authorities in certain of the provinces of Canada subsequent to the date of this Prospectus and prior to the completion or withdrawal of this distribution, shall be deemed to be incorporated by reference in this Prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall 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 which is also, 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 shall not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of material fact or an admission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

FRIDAY NIGHT INC.

Name and Incorporation

The Company was incorporated in Alberta as "LeBoldus Capital Inc." under the *Business Corporations Act* (Alberta) (the "**ABCA**") on January 29, 2008 and completed its initial public offering on July 10, 2008 as a capital pool company. On October 14, 2010, the Company changed its name from "LeBoldus Capital Inc." to "Viper Gold Ltd". On February 17, 2015 the Company filed articles of amendment consolidating its shares on a 10-for-1 basis. On November 23, 2015, Viper Gold Ltd., completed the acquisition of QuikFlo Technologies Inc., a private Alberta company, and filed articles of amendment to change its name to "QuikFlo Health Inc." The Company changed its name to "Friday Night Inc." on June 12, 2017 and consolidated its shares on a 2-for-1 basis.

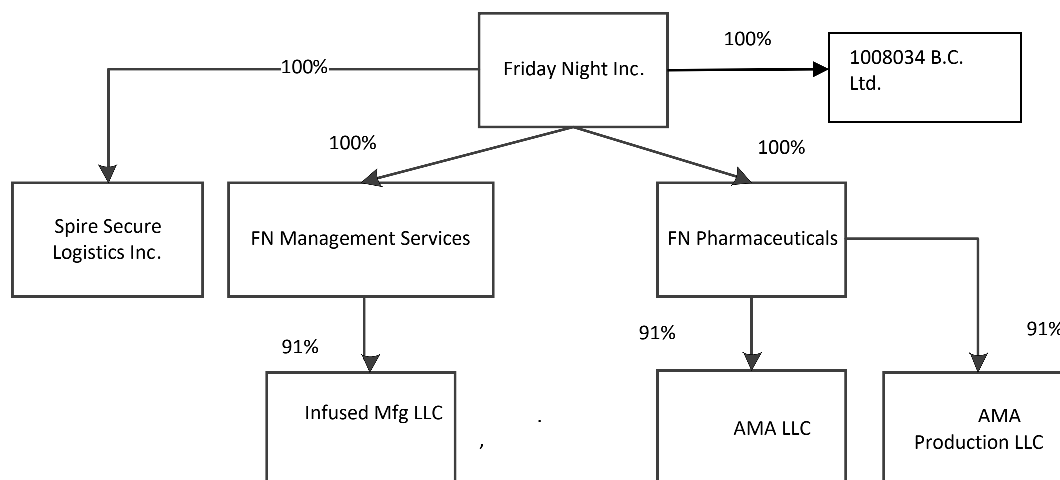
The Company is a reporting issuer in the Provinces of Alberta, British Columbia, Saskatchewan and Ontario. The Shares are listed and posted for trading on the CSE under the trading symbol "TGIF".

The head and principal office of the Company is located at 105, 45655 Tamihi Way, Chilliwack, British Columbia V2R 2M3 and its registered office is located at Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

Intercorporate Relationships

The diagram below represents the corporate subsidiaries of the Company. The Company's material subsidiaries are incorporated as follows: FN Management Services LLC, FN Pharmaceuticals LLC, Infused Mfg LLC ("**Infused**"), the Alternative Medicine Association LLC ("**AMA**") and AMA Production LLC are incorporated in the United States under Chapter 78 of the *Nevada Revised Statutes* and each of 1008034 B.C. Ltd. and Spire Secure Logistics Inc. ("**Spire**") is incorporated in British Columbia under the *Business Corporations Act* (British Columbia).

Unless otherwise indicated in the diagram below, each of the subsidiaries are wholly owned by the Company:



DESCRIPTION OF THE BUSINESS

The Company has acquired the businesses of AMA and Infused. AMA currently operate in the medical and adult use cannabis sectors in the State of Nevada. Infused sells industrial hemp based cannabidiol ("**CBD**") infused products within its Canna Hemp product line to partners in the States of California and Colorado. AMA, a 91% owned indirect subsidiary of the Company is licensed in the State of Nevada as (i) a cultivation facility; and (ii) a production facility for edible, or marijuana-infused products. AMA is in the process of transferring its production facility to AMA Production LLC, a new company with identical membership as AMA. Infused, also a 91% owned indirect subsidiary of the Company, is focused on developing, acquiring and designing hemp and CBD infused products and brands for retail sale and use in jurisdictions where permitted. The Company's recently acquired wholly-owned subsidiary, Spire, is a provider of customized security programs, compliance, information technology, buildout design, and due diligence services for the cannabis, mining and investment sectors.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. The Company's vision is to establish a foothold in several distinct parts of the value chain of the North American medical and adult use cannabis industries and replicate its model in other jurisdictions where permitted by law or regulation.

AMA was the first licensed cultivation facility in Clark County in the State of Nevada. It is a wholesale grower and producer that sells to licensed medical and adult use retail dispensaries or retail stores who hold state licenses for retail sales to medical patient cardholders or adults over 21. Its products are currently in more than 63 dispensaries state wide with the focus being in Las Vegas where, on average, more than one million tourists visit every week. Additionally, AMA manufactures and sells popular third-party brands that are well known outside the state but whose owners do not hold Nevada cannabis production licenses. Through its licensing agreements, AMA is able to distribute a broad array of popular brands and improve its presence and shelf space inside the limited number of licensed retail dispensaries in Nevada.

Infused develops, designs and produces CBD infused products and brands for retail sale and use. CBD, as utilized by Infused, is extracted from industrial hemp. Infused manufactures a number of CBD-only infused products, including: tinctures, transdermal patches, lotions, pain creams, and capsules. Infused also is working toward producing bulk CBD isolates or powders. Infused

manufactures and distributes its products under three brands: CannaHemp; CannaHemp X; and Canna Hemp Paws.

Excluding U.S. federal law, the Company will not operate in jurisdictions that have not legalized cannabis, nor does it intend to operate in jurisdictions that have legalized cannabis but have not developed and imposed a licensing regime for operators.

A detailed description of the business of the Company and its subsidiaries is included in the AIF, which is incorporated by reference into this Prospectus.

DESCRIPTION OF THE U.S. CANNABIS INDUSTRY

General

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – *Issuers with U.S. Marijuana-Related Activities* ("**CSA Notice 51-352**"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved.

In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Use of Cannabis

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

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as THC and CBD as medical therapy to aid in treating disease or alleviating symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

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

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

Nevada

Despite legal, regulatory and political obstacles, the U.S. cannabis industry continues to experience substantial growth. As reported by the State of Nevada's Department of Taxation, Nevada's first eleven months of recreational sales exceeded expectations, with over USD $400 million in adult-use and medical combined sales. Additionally, for the first five months of 2018, Nevada has averaged over USD $45.8 million per month. Nevada is projected by the Department of Taxation to remain a significant cannabis market in the U.S., largely due to the tourism industry.

United States Federal Overview

In the United States, 30 states, Washington D.C. and Puerto Rico have legalized medical marijuana, while nine states and Washington D.C. have also legalized adult-use marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the U.S. Controlled Substance Act of 1970 (the "**CSA**"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

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

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

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

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance, and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly

describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

U.S. federal law does not deal separately with CBD and THC and so there is a degree of uncertainty with respect to the legality of CBD-only products derived from industrial hemp grown in the United States.

A summary of the history and current status of regulation of hemp and cannabinoids in the US follows.

In 2014, Congress enacted the Agricultural Act of 2014 (the "**2014 Farm Bill**") which provided for the cultivation of industrial hemp as part of agricultural pilot programs for adoption by individual states and research by educational institutions. Approximately 30 states implemented legislation pursuant to the 2014 Farm Bill, which include a variety of requirements relating to registration of cultivators and processors, the involvement of institutions of higher education and permissible commercialization.

In response, the DEA took action and seized shipments of viable hemp seeds into certain states thereby impacting the full implementation of the 2014 Farm Bill. Congress responded by enacting the Consolidated and Further Continuing Appropriations Act, 2015, which contained provisions to block federal law enforcement authorities from interfering with state agencies and hemp growers, and to counter efforts to obstruct agricultural research, stating that "none of the funds made available" to the US Justice Department and DEA "may be used in contravention" of the 2014 Farm Bill. Similar language was included in the 2016 Consolidated Appropriations Act, and as further support, the U.S. Department of Agriculture ("**USDA**") was also blocked from prohibiting the transportation, processing, sale or use of industrial hemp that is grown or cultivated in accordance with the 2014 Farm Bill. This language was carried into the 2017 Consolidated Appropriations Act and also the most recent Consolidated Appropriations Act, 2018 which is in effect until September 30, 2018.

On August 12, 2016, the USDA, with the concurrence of DEA and the U.S. Food and Drug Administration ("**FDA**"), issued a Statement of Principles on Industrial Hemp with the stated purpose of informing the public on how federal law applies to activities involving industrial hemp that is grown and cultivated in accordance with the 2014 Farm Bill. It acknowledged that the Statement of Principles did not establish any binding legal requirements. The USDA attempted to clarify the scope of the 2014 Farm Bill including outlining which conduct was authorized pursuant to the 2014 Farm Bill. The Statement of Principles further outlined that it did not believe the 2014 Farm Bill provided for "general commercial activity."

In December 2016, the DEA published the "Final Rule" to establish a definition for "marihuana extract". In the Final Rule, "marihuana extract" was defined for the first time under U.S. law as "an extract containing one or more cannabinoids that has been derived from any plant of the genus Cannabis" and the DEA established a four-digit code for the tracking of "marihuana extract." The DEA issued a memorandum to clarify the new drug code and claimed the rule is administrative in nature and helps the agency better track research and meet international drug treaty requirements. The memorandum stated that the new drug code was merely a subset of what has always been included in the CSA definition of marijuana. The implication was that that cannabinoids derived from marijuana or hemp were included as a Schedule 1 controlled substance and thus required a DEA permit.

There were questions raised as to whether the DEA had the legal authority to enact the Final Rule and the Final Rule was challenged by the Hemp Industries Association in the Ninth Circuit Court on the basis that the Final Rule unilaterally created a new drug code without following the proper administrative procedures. See Hemp Industries Association, et al v. US DEA, et al, Case No. 17-70162 (9th Cir. filed Jan. 13, 2017). In the DEA's responding brief in the pending litigation on the Final Rule, the DEA conceded that it maintained no jurisdiction with regard to 2014 Farm Bill activities. Despite the DEA's concession that it maintained no jurisdiction with regard to 2014 Farm Bill activities, in practice, there remained concern over the extent to which other federal, state and local agencies defer to the DEA's earlier, negative position towards the 2014 Farm Bill in the Statement of Principles. Potential adverse impacts included limited, misguided enforcement by state and local authorities that might be confused by DEA's conflicting interpretations of, and misrepresentations of the congressional intent behind, the 2014 Farm Bill hemp's amendment.

On April 30, 2018, the Ninth District Court issued a memorandum pursuant to which the petition by the Hemp Industries Association was denied due to technical considerations, however, the Court did say that the industrial hemp provisions of the 2014 Farm Bill pre-empt the CSA.

Shortly after the Hemp Industries Association filed its petition blocking enforcement of the Final Rule, it filed another action seeking to direct the DEA to show cause why it should not be held in contempt for failure to comply with a 2004 order that permanently enjoined the DEA from regulating hemp fiber, stalk, sterilized seed and oil as a controlled substance. In 2003, the DEA issued two final rules: one that expanded the CSA Schedule 1 listing of synthetic THC to include THC "naturally contained in a plant of the genus Cannabis (cannabis plant), and a second that exempted hemp fiber, seed and oil products containing THC not intended for human consumption from control (the "2003 Rules"). The collective result of the 2003 Rules was to classify all naturally-occurring THC intended for human consumption as a Schedule 1 controlled substance. In 2004, the Hemp Industries Association was successful in obtaining an injunction from the Court of Appeals of the Ninth Circuit prohibiting the DEA from enforcing the 2003 Rules (with respect to non-psychoactive hemp or products containing it). See Hemp Industries Association v. DEA Enforcement Admin., 357 F. 3d 1012 (9th Cir. 2004). However, the DEA never took action as a result of the injunction, including not amending its listing of THC in Schedule 1 of the CSA. Until December 2016, the DEA also did not appear to have taken any enforcement action under the enjoined regulation, until the North Dakota Department of Agriculture advised a state-licensed farmer/producer that a planned shipment of hempseed oil out of the state would require a DEA registration, citing the federal CSA. This action prompted Hemp Industries Association to file a motion for contempt with the Court of Appeals of the Ninth Circuit for failing to comply with the 2004 injunction.

On May 25, 2018, the Hemp Industries Association reached a negotiated settlement with the DEA with respect to the longstanding legal action from 2004, to uphold the legality of consumption, manufacturing and sale of hemp food products. This settlement restrains further illegal attempts and actions by the DEA to regulate hemp foods as Schedule I drugs. As noted by the Hemp Industries Association in a press release issued June 8, 2018, significantly, the DEA issued an internal and external directive to federal agencies, with language agreed to by the parties, clarifying that the mere presence of cannabinoids does not render material a controlled substance—as the issue of whether a material constitutes a drug is rather in fact determined by whether the material is derived from the non-exempt parts of the plant. The Hemp Industries Association's hope is that this directive should provide clarity to federal agencies and minimize interference with the expanding flow of hemp commerce. This directive should also have an impact on certain states that have enacted similar Controlled Substance Acts which prohibit or

narrowly restrict the distribution, sale, possession and/or use of any products containing even trace amounts of THC.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See "*Risk Factors – Risks Related to the Business of the Company*".

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations. See "*Risk Factors - Risks Related to the Business of the Company*".

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "*Risk Factors– Risks Related to the Business of the Company*".

Ability to Access Public and Private Capital

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

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities. The FinCEN

Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These marijuana-related SARs are divided into three categories – marijuana limited, marijuana priority, and marijuana terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively.

On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. With the issuance of the Sessions Memorandum, the 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it remains difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

In the U.S., a bill was tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance that it will be passed in its current form or at all. In June of 2018, both a congressional committee and a senate committee rejected the provisions which would have provided the necessary protections for banks and other financial institutions. In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions, although such changes appear to be unlikely as a result of the current political climate in the U.S.

Currently, management expects to be able to transfer any funds owed to the Company by its subsidiaries into bank accounts held by the Company outside of the United States. However, given the regulatory uncertainty with respect to banking and cannabis in the United States, such ability to transfer may be eliminated and/or hampered at any time. In the foreseeable future, the Company expects any amounts payable by the Company from its subsidiaries to remain in the United States to fund the further development of its businesses. The Company may also consider future debt or equity financings.

Extension of the RBA

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "**Rohrabacher-Blumenauer Amendment**" or the "**RBA**") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. However,

this measure does not protect adult use marijuana businesses. As part of the $1.3 trillion federal spending bill enacted on March 23, 2018, the U.S. Congress renewed the Rohrabacher-Blumenauer Amendment through September 2018. The RBA is an appropriations rider with bipartisan support that prohibits the DOJ from using federal funds to prevent states from implementing Medical Marijuana laws. The U.S. Ninth Circuit in *United States v. McIntosh* held that the prohibition under the Rohrabacher-Blumenauer Amendment also prevents the DOJ from spending federal funds to prosecute individuals who are engaged in conduct that is permitted by, and in compliance with, state medical marijuana laws. This is the eleventh time the Rohrabacher-Blumenauer Amendment has been approved or renewed since its first passage in 2014.

Compliance with Federal Laws

As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

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

In addition, the Company may conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of its cannabis business activities, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation.

Nevada State Level Overview

This section presents an overview of market and regulatory conditions for the marijuana industry in Nevada.

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

Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other states to purchase marijuana from Nevada retail dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

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

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

Medical and adult-use marijuana is subject to a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis is subject to an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

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

- *Cultivation Facility* – Licenses to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- *Distributor* - Licenses to transport marijuana from a marijuana establishment to another marijuana establishment.
- *Product Manufacturing Facility* - Licenses to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers.
- *Testing Facility* - Licenses to test marijuana and marijuana products, including for potency and contaminants.
- *Retail Store* - Licenses to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

The regular retail marijuana program began in early 2018. The *Regulation and Taxation of Marijuana Act* specifies that, for the first 18 months of the program, only existing medical marijuana establishment certificate holders can apply for a retail marijuana establishment license. Beginning in November 2018, the DoT will open up the application process to those not holding a medical marijuana establishment certificate. The regular program will be governed by permanent regulations drafted by the DoT.

The Nevada Legislature passed Senate Bill 305 ("**SB 305**"), which adopted Section 7606 of the 2014 Farm Bill. SB 305 allows eligible persons or entities in Nevada to carry out research projects as part of the pilot program within the State of Nevada under the guidance of the Department of Agriculture.

SB 305 sets the basic parameters for hemp programs in Nevada. It defines industrial hemp as "the plant Cannabis sativa L. and any part of such plant, whether growing or not, with a THC concentration of not more than 0.3 percent on a dry weight basis." SB 305 required all producers or handlers of hemp to register with the Nevada Department of Agriculture and gave the Department the authority to restrict or prohibit the production of CBD oil or products from legally grown industrial hemp plants.

Under SB 305, the Nevada Department of Agriculture was given regulatory authority over the industrial hemp program in Nevada. Including:

- Acting as seed handler, procuring and delivering seed;
- Enforcing regulations to ensure proper legality with cultivation activity;
- Performing inspections to maintain research credibility and hemp status; and
- Providing industry support to assist with sustainable growth and development.

Senate Bill 396 ("**SB 396"**) expanded the industrial hemp program in Nevada to include the production of hemp for commercial purposes. SB396 also provides for the regulated production of seeds at licensed hemp farms in Nevada. Under SB 396 the Department of Agriculture maintains regulatory authority over the industrial hemp program. SB 396 also allows for testing of industrial hemp at a Nevada independent testing laboratory (which is a licensed marijuana establishment) and also allows for a facility for the production of marijuana infused products and a marijuana dispensary to purchase industrial hemp from a grower or handler of industrial hemp.

California State Level Overview

This section presents an overview of the regulatory landscape for California's industrial hemp and hemp-derived CBD products industry, in which Infused operates.

The California Industrial Hemp Farming Act (Senate Bill 566, Chapter 398, Statutes of 2013) (the "**CIHFA**") was intended to authorize the commercial production of industrial hemp in California and became effective on January 1, 2017, due to a provision in the Adult Use of Marijuana Act (Proposition 64, November 2016). As directed by CIHFA, the California Department of Food and Agriculture (the "**CDFA**") is developing a program to administer this law.

California's industrial hemp program has stagnated and failed to develop. A main reason is that, contrary to many other states, CIHFA did not create a pilot program for the production of

industrial hemp, in compliance with the 2014 Farm Bill. Second, it did not allow for industrial hemp seed cultivators to apply for licensure unless they were certified on or before January 1, 2013. The result was very few licensed industrial hemp cultivators.

Senate Bill 1409 (**SB 1409**) was introduced in March 2018 and received a unanimous passing vote from committee just weeks ago. SB 1409 would fill in crucial missing pieces of California's existing industrial hemp laws. It would delete the exclusionary requirement that industrial hemp seed cultivars be certified on or before January 1, 2013. It would broaden the definition of industrial hemp in the California Uniform Controlled Substances Act. It would authorize the California Department of Agriculture to carry out an agricultural pilot program for industrial hemp.

The California Department of Public Health (the "**CDPH**") recently released an 'FAQ' on cannabidiol in food products in which it concludes the following, "[A]lthough California currently allows the manufacturing and sales of cannabis products (including edibles), the use of industrial hemp as the source of CBD to be added to food products is prohibited. Until the FDA rules that industrial hemp-derived CBD oil and CBD products can be used as a food or California makes a determination that they are safe to use for human and animal consumption, CBD products are not an approved food, food ingredient, food additive, or dietary supplement."

The FAQ further states that the following are not allowed in food in California: any CBD products derived from cannabis; any CBD products, including CBD oil derived from industrial hemp; hemp oil not derived from industrial hemp seeds, and industrial hemp seed oil enhanced with CBD or other cannabinoids. The FAQ also confirms that "there is no regulatory agency that provides oversight for the production of CBD oil from industrial hemp," but CDPH does have authority over food and dietary use products generally, and therefore, food products containing CBD oil are within its authority to regulate.

Cannabis products are outside the purview of the CDPH, and are solely regulated by Bureau of Cannabis Control (the "**BCC**"). But there remains confusion as what qualifies as a 'cannabis product' that is regulated under MAUCRSA, which places it out of the reach of the CDPH. The BCC allows retail marijuana stores to sell non-cannabis products, but it currently does not permit retail marijuana stores to sell stand along products infused with CBD oil derived from industrial hemp.

There is substantial uncertainty concerning California's industrial hemp industry, and products infused with CBD derived from industrial hemp. Infused has received no notices from the BCC nor the CDPH regarding its products infused with CBD derived from industrial hemp. The Company is actively monitoring developments as it navigates to changing legal landscape

U.S. Legal Advice

The Company believes it is in compliance with U.S. state law and the related licensing framework. The Company uses reasonable commercial efforts to confirm, through the advice of its U.S. counsel, through the monitoring and review of its business practices, and through regular monitoring of changes to U.S. federal enforcement priorities, that its businesses are in compliance with applicable licensing requirements and the regulatory frameworks enacted by Nevada. The Company's U.S. based subsidiaries have not received non-compliance orders, citations or notices of violation, that may have an impact on such entities licenses, business activities or operations.

Regulatory Risks

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks, potentially affecting the Company may emerge. Management of the Company may not be able to predict all such risks or be able to predict how such risks may impact the Company's operations and actual results.

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

The U.S. cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company 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 growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company and which cannot be reliably predicted.

The Company expects to derive all, or substantially all, of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law. As a result of the conflicting views between the state and federal governments regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company expects to remain focused on operating in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA.

As discussed above, the federal government of the U.S. has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use marijuana even if state law has sanctioned such sale and disbursement. Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry.

Anti-Money Laundering Laws and Regulations

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

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

Ability to Access Private and Public Capital

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

Canadian Securities Regulatory Matters

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

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a

Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S.

The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the applicable stock exchange.

Heightened Scrutiny

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

Change in Laws, Regulations and Guidelines

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

Unfavourable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the

consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use marijuana has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its business activities may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

Regulatory Issues related to CBD derived from industrial hemp

In 2014, the United States Congress passed the Agricultural Act, better known as the Farm Bill. As part of the Farm Bill, Congress excluded industrial hemp from the definition of marijuana under the CSA. As part of a recent settlement agreement with the hemp industry, the Drug Enforcement Administration has taken the position that only products produced solely from hemp are legal, but has also stated that the scientific literature indicates that CBD comes from the parts of the cannabis plant that are covered by the definition of marijuana.

In 2018 Congress introduced a new Farm Bill that includes a clarification that CBD derived from hemp is excluded from the definition of marijuana under the CSA and is, therefore, federally legal. The 2018 Farm Bill has not been approved by Congress. If it is not approved or Congress amends the 2018 Farm Bill to remove this clarification, the DEA may start enforcement actions against manufacturers, processers and sellers of CBD derived from hemp, which would have a material adverse effect on the business of Infused.

CONSOLIDATED CAPITALIZATION

The authorized capital of the Company includes an unlimited number of Shares without nominal or par value and an unlimited number of preferred shares issuable in series. As at the date hereof, 230,719,060 Shares are issued and outstanding as fully paid and non-assessable and nil preferred shares are issued and outstanding. In addition, 31,394,265 Shares are reserved for issuance under outstanding stock options granted to directors and officers, Share purchase warrants and debentures.

The following table sets forth information respecting the consolidated capitalization of the Company as at the dates specified:

Designation of Security	Amount authorized	Amount outstanding as of July 31, 2017	Amount outstanding as of the date of this Prospectus	Amount outstanding assuming completion of the Minimum Offering (1) (2)	Amount outstanding assuming completion of the Maximum Offering (1)(2)
Common Shares (3)(4)	Unlimited	149,641,349	230,719,060	230,719,060	230,719,060
Options (5)	10% of the issued and outstanding	14,160,000	10,493,333 (6)	10,493,333	10,493,333

Designation of Security	Amount authorized	Amount outstanding as of July 31, 2017	Amount outstanding as of the date of this Prospectus	Amount outstanding assuming completion of the Minimum Offering [(1) (2)]	Amount outstanding assuming completion of the Maximum Offering [(1)(2)]
Warrants	N/A	32,010,880	13,574,932 [(7)]	29,128,932	46,904,932
Debentures	N/A	Nil	$1,831,500 [(8)]	$8,831,500	$16,831,500
Agents' Warrants [(9)]	N/A	Nil	Nil	1,244,444	2,666,667 [(10)]

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(1) Assuming no exercise of the Over-Allotment Option. See *"Plan of Distribution"*. See "*Use of Proceeds*" for the proceeds after giving effect to the Offering and deducting the expenses of the issue.

(2) In the event that the Over-Allotment Option is exercised in full on the Minimum Offering, a further 1,050 Convertible Debentures with principal value of $1,050,00 will be issued and a further 2,333,100 Warrants will be issued. In the event that the Over-Allotment Option is exercised in full on the Maximum Offering, a further 2,250 Convertible Debentures with principal value of $2,250,000 will be issued and a further 4,999,500 Warrants will be issued. The Convertible Debentures are convertible at the Conversion Price at any time prior to the close of business on the earlier of (i) the last business day immediately preceding the Maturity Date and (ii) the date fixed for redemption in the event of a Change of Control (as defined herein). The Warrants are exercisable at a price of $0.65 per Share for a period of 36 months following the Closing Date. See *"Description of Securities Distributed"* below.

(3) As at July 31, 2017, the Company's statement of financial position had an equity deficit of ($6,450,104).

(4) On June 12, 2017, the Company completed a two old for one new consolidation of the Shares. The figures in this table are presented post-consolidation.

(5) The number of stock options the Company may grant is limited by the terms of its stock option plan and the policies of the CSE.

(6) A total of 10,493,333 Shares are issuable upon the exercise of stock options at exercise prices ranging from $0.15 to $0.64 and expiring on dates ranging from November 14, 2020 to June 13, 2022.

(7) A total of 13,574,932 Shares are issuable upon exercise of the warrants at exercise prices ranging from $0.25 to $0.30 per Share and expiring on dates ranging from March 20, 2019 to October 4, 2019.

(8) The debentures bear interest at 10.0% per annum, payable semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019 (the "**DB Maturity Date**"). $1,343,000 in principal amount of the debentures are paid interest through the issuance of Shares at a price of $0.25 and the balance of the $488,500 in principal amount debentures receive interest payments in cash. The debentures are convertible into Shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the DB Maturity Date; and (ii) the date fixed for redemption, at a conversion price of $0.25 per Share (the "**DB Conversion Price**"), subject to adjustment in certain events. The Company may force the conversion of all of the principal amount of the then outstanding debentures at the DB Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Shares be greater than $0.45 for any 10 consecutive trading days. The debentures will be subject to redemption, in whole or in part, by the Company at any time after (i) August 16, 2018, as to $1,343,000 in principal amount of the debentures and (ii) October 4, 2018 as to the remaining $488,500 in principal amount debentures, upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the debentures plus all accrued and unpaid interest up to and including the redemption date.

(9) Pursuant to the Agency Agreement, the Company has agreed to grant to the Agents the Agents' Warrants on completion of the Offering, which are exercisable into Agents' Units at a price of $0.45 per Agents' Unit, for a period of 36 months from the Closing Date. See "*Plan of Distribution*" and *"Description of Securities Distributed"*.

(10) In the event the Over-Allotment Option is exercised in full, a further 186,666 Agent's Warrants will be issued in the case of the Minimum Offering and a further 400,000 Agents' Warrants will be issued in the case of the Maximum Offering.

USE OF PROCEEDS

Proceeds

The Company expects to receive a minimum of $7,000,000 and up to a maximum of $15,000,000 in gross proceeds from the Offering. The completion of the Offering is subject to the Minimum Offering being achieved.

Assuming the Minimum Offering is completed, the net proceeds to the Company from the sale of the Debenture Units distributed under this Prospectus are estimated to be to approximately $6,140,000, after deducting the Agents' Commission of $560,000, the Corporate Finance Fee and the estimated expenses of this Offering of $250,000.

Assuming the Maximum Offering is completed, the net proceeds to the Company from the sale of the Debenture Units distributed under this Prospectus are estimated to be to approximately $13,500,000, after deducting the Agents' Commission of $1,200,000, the Corporate Finance Fee and the estimated expenses of this Offering of $250,000.

If the Over-Allotment Option is exercised in full, the Company will receive additional net proceeds of $966,000 in the case of the Minimum Offering and $2,070,000 in the case of the Maximum Offering, after deducting the Agents' Commission and the Corporate Finance Fee.

Principal Purposes

The Company intends to use the net proceeds of the Offering for:

(a) remainder of funds required for completion of build out of AMA's 67,000 sq. ft cultivation facility in Las Vegas, Nevada (the "**Cultivation Facility**");

(b) expansion of AMA and Infused into new U.S. markets in California, Arizona and Colorado via facility acquisitions and expansions and into Washington via licensing agreements;

(c) expansion of Infused into Canadian markets; and

(d) for general working capital purposes.

The following table indicates the approximate amount of the net proceeds of the Offering intended to be allocated to the foregoing uses:

Use of Proceeds	**Minimum Offering**	**Maximum Offering**
Completion of construction of Cultivation Facility	$6,140,000	$7,011,250
Expansion into new U.S. markets:		
(a) California;	Nil	$2,658,750
(b) Colorado;	Nil	$665,000
(c) Washington;	Nil	$665,000

Use of Proceeds	Minimum Offering	Maximum Offering
(d) Arizona	Nil	$1,500,000
Expansion of Infused into Canadian markets	Nil	$1,000,000
Total	**$6,140,000**	**$13,500,000**

The costs associated with the construction of the Cultivation Facility can be broken down into two components, being the costs relating to the shell building contract of $2,167,900 (approximately US$1,630,000) and the costs relating to the interior fit out contract of $5,906,350 (approximately US$4,441,000). To date, the Company has spent approximately $1,064,000 (US$800,000) towards the budgeted costs, leaving an approximate balance of $7,011,250 to be spent, as per the amount allocated to construction of the Cultivation Facility above.

Of the expenditures above, the Company considers all but the $7,011,250 allocated to the construction of the Cultivation Facility, to be discretionary expenditures.

Should the Over-Allotment Option be exercised in whole or in part, the net proceeds from such exercise, if any, are expected to be used for general corporate and working capital expenses.

The Company's average monthly expenditures for general and administrative costs is approximately $105,000. As at July 31, 2018, the Company's cash position was approximately $8,931,000 and the Company's working capital position was approximately $4,318,000.

In the event that only the Minimum Offering is achieved, the Company will utilize a portion of its existing cash position to ensure the completion of the Cultivation Facility occurs.

The Company currently has no agreements to make specific acquisitions and no defined intention to incur capital expenditures other than disclosed in this Prospectus. The Company intends to analyze and consider potential acquisitions in the future that may fit with the Company's business portfolio. The Company may obtain funding for the above activities from sources other than the Offering. The Company may also use funding from equity financing or credit facilities for the provision of working capital and capital expenditures.

The Company intends to spend the net funds available to it as stated in this Prospectus. However, there may be situations where, after giving consideration to strategies relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time, a reallocation of funds is necessary in order for the Company to achieve its overall business objectives. If such a change occurs during distribution of the securities offered under this Prospectus, the Company may have broad discretion in the application of such net proceeds and, if required, an amendment to this Prospectus will be filed. Pending utilization of the net proceeds derived from the Offering, the Company intends to invest the funds in short-term, interest bearing obligations at the determination of the Company's Chief Financial Officer. Unallocated funds will be added to the working capital of the Company.

Negative Operating Cash Flow

Since inception, the Company has had negative operating cash flow and incurred losses, despite generating revenues. The Company's negative operating cash flow and losses are expected to continue for the foreseeable future. The Company cannot predict when it will reach positive operating cash flow, if ever. Due to the expected continuation of negative operating cash flow, the Company anticipates that the net proceeds from the Offering will be used to fund future negative operating cash flow.

Stated Business Objectives and Milestones

The primary business objectives that the Company expects to accomplish using the net proceeds of the Offering, assuming the completion of the Maximum Offering, are:

- strengthening and expanding current operations;
- introducing the Company's brands into new and upcoming markets;
- identifying targets for acquisition in favorable jurisdictions; and
- developing and identifying products that would benefit from THC and CBD additives.

Assuming the completion of the Offering, management expects that such objectives will start in September, 2018 and carry on for a period of 12 months.

The Company may require additional financing from sources other than the Offering to accomplish some or all of the objectives stated above. The Company may also use funding from equity financing or credit facilities for the provision of working capital and expansion and acquisition activities. The ability of the Company to raise additional capital will depend, in part, upon the success of its existing operations and conditions in the capital markets at the time. An inability to raise additional capital following the Offering may have an adverse effect on the Company's business and financial condition as well as its ability to further its growth objectives, most particularly in the Company's ability to progress the construction of the Cultivation Facility and improve revenue generation through such facility expansion.

PLAN OF DISTRIBUTION

The Offering

The Offering consists of a minimum of 7,000 Debenture Units and a maximum of up to 15,000 Debenture Units of the Company at a price of $1,000 per Debenture Unit for gross proceeds of between $7,000,000 and up to $15,000,000. This Prospectus qualifies the distribution of the Debenture Units to the purchasers in the Offering Jurisdictions.

At the closing, the Debenture Units, which are immediately separable into Convertible Debentures and Warrants, distributed under this Prospectus will be available for delivery in book-entry form or the non-certificated inventory system of CDS or, its nominee, and will be deposited with CDS on the closing of the Offering (subject to certain limited exceptions). Purchasers of Debenture Units will receive only a customer confirmation from the Agents as to the number of Debenture Units subscribed for (subject to certain limited exceptions). Certificates representing

the Convertible Debentures and Warrants in registered and definitive form will be issued in certain limited circumstances.

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

Determination of Price

The price of the Debenture Units and the commission payable to the Agents was established through negotiation between the Company and the Agents, with regard for the context of the market.

Over-Allotment Option

In addition, the Agents have been granted the Over-Allotment Option exercisable, in whole or in part, at any time on or before the date which is 60 days following the Closing Date, to sell up to an additional 15% of the Debenture Units sold pursuant to the Offering at the Offering Price.

The Over-Allotment Option is exercisable by the Agents giving notice in writing to the Company prior to the expiry of the Over-Allotment Option, which notice shall specify the number of Debenture Units to be sold. This Prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Convertible Debentures, Warrants forming part of the Debenture Units issuable upon exercise of the Over-Allotment Option, as well as the Underlying Securities. A purchaser who acquires Debenture Units forming part of the over-allotment position acquires such Debenture Units under this Prospectus regardless of whether the over-allotment position if filled through the exercise of the Over-Allotment Option or secondary market purchases.

Appointment of the Agents

The Offering is not underwritten or guaranteed by any person. Pursuant to the Agency Agreement, the Company appoints the Agents as its exclusive agents for the purposes of the Offering, and the Agents have agreed to conditionally offer the Debenture Units for sale on a commercially reasonable efforts basis, at a price of $1,000 per Debenture Unit, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement.

The Agents reserve the right, at no additional cost to the Company, to offer selling group participation in the normal course of the brokerage business to selling groups or other licensed dealers and investment dealers, who may or may not be offered part of the Agents' Commission or Agents' Warrants derived from the Offering.

While the Agents have agreed to use their commercially reasonable efforts to sell the Debenture Units, the Agents are not obligated to purchase Debenture Units in connection with the Offering. The obligations of the Agents under this Offering may be terminated at any time in the Agents' discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain other stated events, including the presence of a material

adverse change in the affairs of the Company, unsatisfactory due diligence, or a breach by the Company of the Agency Agreement, among others.

Other than the offering expenses disclosed elsewhere in this Prospectus and payments to be made to the Agents as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with the Offering.

The directors, officers and other insiders of the Company may purchase Debenture Units from the Offering.

The Company is not a related or connected issuer (as such terms are defined in National Instrument 33-105- *Underwriting Conflicts*) to the Agents.

Agents' Compensation

Under the terms of the Agency Agreement, the Company has agreed to pay the Agents' Commission of 8% of the aggregate gross proceeds of the Offering, payable in cash. The Agents will also be paid a Corporate Finance Fee of $50,000, of which $25,000 has already been paid and is non-refundable. The Company has also agreed to reimburse the Agents for their reasonable expenses of which the Company has advanced $20,000 as a retainer.

The Company has also agreed to grant in aggregate to the Agents the Agents' Warrants on completion of the Offering entitling the Agents to purchase that number of Agents' Units as is equal to 8% of the number of Debenture Shares that would be issued assuming the conversion of 100% of the Convertible Debentures issued under the Offering at the Conversion Price for a period of 36 months from the Closing Date. Each Agents' Unit is comprised of one Share and one Warrant exercisable at $0.65 per Warrant Share for a period of 36 months from the Closing Date.

This Prospectus qualifies the distribution of the Agents' Warrants, the Agents' Units, and the securities underlying the Agents' Units.

Indemnity and Contribution

Under the Agency Agreement, the Company has agreed to indemnify and hold harmless the Agents and their officers, directors, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Agents may be required to make in respect thereof.

Closing of the Offering

Subscriptions will be received for Debenture Units offered hereby subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time. Upon rejection of a subscription, or in the event the Offering is not completed within the time required, the subscription price and the subscription will be returned to the subscriber forthwith without interest or deduction. Completion of the Offering is subject to sale of at least the number of Debenture Units comprising the Minimum Offering.

It is expected that the Closing Date will occur on or about September 7, 2018, or such earlier or later date to which the Company and the Agents may agree, but in any event not later than 90 days after the date of the final receipt for the (final) short form prospectus unless an amendment

to this Prospectus is filed and a receipt is obtained therefor by the Company in accordance with applicable securities laws, provided that the total period of distribution under the Offering will not exceed one hundred and eighty (180) days from the date of the receipt for this Prospectus.

Until the closing of the Offering, all subscription funds received by the Agents will be retained by the Agents, pending the closing of the Offering. If the Offering has not closed in accordance with the terms of the Agency Agreement, the Agents shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agents.

Price Stabilization and Short Positions

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price for the Shares at levels other than those which otherwise might prevail in the open market.

Pursuant to the policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period ending on the date of the selling process for the Debenture Units ends and all stabilization arrangements relating to the Debenture Units are terminated, bid for or purchase Shares. The foregoing restrictions are subject to certain exceptions, including (a) a bid for or purchase of Shares if the bid or purchase is made through the facilities of the CSE in accordance with the Universal Market Integrity Rules of Investment Industry Regulatory Organization of Canada, (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Agents, or if the client's order was solicited the solicitation occurred before the period of distribution as prescribed by the rules, and (c) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules. Subject to the foregoing and applicable exemptions, the Agents may engage in market stabilization or market balance activities on the CSE where the bid for or purchase of Shares is for the purpose of maintaining a fair and orderly market in the Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

Listing

The Company will apply to list the securities distributed under this prospectus on the CSE. Listing will be subject to the Company fulfilling all the listing requirements of the CSE.

No Sales of Similar Securities

Pursuant to the Agency Agreement and provided that the Closing has occurred, the Company has agreed not to so issue, or agree to issue, any Shares or any securities convertible into Shares for a period ending on the day which is 90 days following the first to occur of the closing date of the exercise of the Over-Allotment Option or the expiry of the Over-Allotment Option, without the prior written consent of the Agents, such consent not to be unreasonably withheld, other than in connection with: (i) the grant or exercise of incentive securities pursuant to existing incentive plans of the Company; (ii) the issue of Shares upon the exercise of convertible securities, including debentures, warrants or options outstanding on the Closing Date, or (iv) issuable in any transaction with an arm's length third party whereby the Company directly or indirectly acquires shares or assets of a business.

Right of First Refusal

Provided the Closing has occurred, for a period of one year from following the first to occur of the closing date of the exercise of the Over-Allotment Option or the expiry of the Over-Allotment Option, the Company shall provide the Agents with the exclusive right and opportunity to act as agents for any offering of securities of the Company to be issued and sold in Canada by private placement or public offering with the participation of an agent or to provide professional, sponsorship or advisory services performed (or normally performed) by a broker or investment dealer. If the Company is intending to proceed with any such issuance or has received a proposal for any such issuance, the Company shall provide to the Agents notice of the proposed terms thereof (including the commission payable to that agent) and the Agents shall have an opportunity to respond to the Company within three business days thereof that they are desirous of acting as agent, or participating as the case may be, in such offering on behalf of the Company on the terms and conditions contained therein. If the Agents decline, in writing, the Company may proceed with such offering through another agent or underwriter, provided the arrangements with such agent or underwriter are entered into within 30 days thereafter (it being acknowledged and agreed by the Agents that if the Company issues any securities to which the foregoing would apply, but does not retain or utilize a registered dealer as agent therefore, the foregoing right shall not apply to such issuance, unless any of the subscribers to the issuance of such securities is a subscriber or beneficial purchaser of Debenture Units pursuant to the Offering.

Alternative Transactions

In the event that the Company does not complete the Offering, but, the Company or any affiliate or subsidiary thereof completes an 'alternative transaction' within 180 days from the date of the Agency Agreement, the Company is obligated to pay to the Agents promptly upon the closing of such alternative transaction, a fee equal to the lesser (i) the amount of compensation assuming completion of the maximum Offering, and (ii) the commissions (including the Agents' Commission and the Corporate Finance Fee) and the Agents' Warrants (including underlying Agents' Unit Shares, Agents' Unit Warrants and Agents' Unit Warrant Shares) calculated based on the amount raised pursuant to the 'alternative transaction', provided that the Agents shall not be entitled to any amount in the event that the Agents voluntarily terminated the Agency Agreement, other than as a result of a material breach by the Company of its obligations thereunder) or where the Company voluntarily terminates the Agency Agreement as a result of the material breach by the Agents of their obligations thereunder. An 'alternative transaction' constitutes for this purpose, any debt or equity financing (excluding a bank loan from commercial bank lenders), in respect of which the Agents are not the underwriters, placement agents, arrangers or initial purchasers, or in respect of which the Agents do not receive at least the same amount of compensation as to which it would have been entitled under the Offering.

Offers and Sales in the United States

The Debenture Units, the Convertible Debentures and the Warrants comprising the Debentures Units, the Debenture Shares issuable upon conversion of the Convertible Debentures, and the Warrant Shares issuable upon exercise of the Warrants, have not been and will not be registered under the U.S. Securities Act or any state securities laws, and the Debentures Units, the Convertible Debentures and the Warrants may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States or U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that, except as permitted by the Agency Agreement and as expressly permitted by applicable United States federal and state securities

laws, they will not offer or sell any of the Debentures Units, the Convertible Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons. The Agency Agreement permits the Agents to offer the Debentures Units, the Convertible Debentures and the Warrants outside the United States to non-U.S. Persons in compliance with Regulation S under the U.S. Securities Act. The Agency Agreement also permits the Agents, through a U.S. registered broker-dealer, to offer the Debentures Units, the Convertible Debentures and the Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons to whom the Company will sell such securities directly where such persons are institutional "accredited investors", that satisfy one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act, and are also "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act ("**Qualified Institutional Buyers**"), in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and/or pursuant to the exemption afforded by Section 4(a)(2) of the U.S. Securities Act and in compliance with applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Debentures Units, the Convertible Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of such securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer or sale is made pursuant to an exemption from registration under the U.S. Securities Act.

The Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. Person, nor will any certificates representing the Warrant Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company; provided, however, that a holder who is a Qualified Institutional Buyer at the time of exercise of the Warrants who purchased Debenture Units in the Offering to, or for the account or benefit of, persons in the United States or U.S. Persons will not be required to deliver an opinion of counsel in connection with the exercise of Warrants that are a part of those Debenture Units.

The Convertible Debentures, the Warrants, the Debenture Shares issuable upon conversion of the Convertible Debentures, and the Warrant Shares issuable upon exercise of the Warrants issued to, or for the account or benefit of, persons in the United States or U.S. Persons will be "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act. Any certificates representing such securities will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred other than pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

Terms used and not otherwise defined in the three preceding paragraphs shall have the meanings ascribed to them by Regulation S under the U.S. Securities Act.

EARNINGS COVERAGE RATIOS

The following earnings coverages and adjusted earnings coverages are calculated on a consolidated basis for the twelve-month periods ended July 31, 2017 and April 30, 2018 and are derived from the audited financial statements of the Company in the case of the period ended July

31, 2017, incorporated by reference in this Prospectus, and unaudited financial information of the Company in the case of the period ended April 30, 2018.

The Company's interest requirements amounted to Nil for the year ended July 31, 2017, and $393,218 for the 12-month period ended April 30, 2018. The Company's losses before interest expense and income tax expense were $2,546,689 for the year ended July 31, 2017, and $3,252,803 for the 12-month period ended April 30, 2018, which is (N/A) times and (8.27) times, respectively, the Company's interest requirements for these periods.

The Company's proforma interest requirements, after giving effect to the issue of the Convertible Debentures pursuant to the Offering (assuming the issuance of the maximum number of Debenture Units and excluding any exercise, in whole or in part, of the Over-Allotment Option) would have been $1,500,000 for the year ended July 31, 2017 and $1,893,218 for the 12-month period ended April 30, 2018. The Company's pro forma losses before interest expense and income tax expense would have amounted to $2,546,689 for the year ended July 31, 2017 and $3,252,893 for the 12-month period ended April 30, 2018, which is (1.70) times and (1.71) times, respectively, the Company's interest requirements for those periods.

The Company would have required additional earnings before interest expense and income tax of approximately $4,046,689 for the year ended July 31, 2017 and $5,146,021 for the 12-month period ended April 30, 2018, to achieve coverage ratios of one to one.

These coverage ratios reflect historical earnings adjusted for the net impact of interest on the Convertible Debentures, as noted. Under International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board, a portion of the Convertible Debentures will be classified on the statement of financial position as a liability and a portion allocated to equity to reflect the conversion feature. For purposes of the pro forma calculations above, interest expense has been calculated using the effective interest method and also includes the amortization of debt issuance costs.

DESCRIPTION OF SECURITIES DISTRIBUTED

Authorized and Issued Share Capital

The authorized capital of the Company consists of an unlimited number of Shares without nominal or par value and an unlimited number of preferred shares issuable in series. As at the date of this prospectus there are 230,719,060Shares issued and outstanding as fully paid and non-assessable shares and nil preferred shares issued and outstanding.

Common Shares

There are no special rights or restrictions of any nature attached to the Shares. The holders of Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company and each Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Shares are entitled to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Shares, to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company. The Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

In addition, 10,493,333 Shares are reserved for issuance under stock options granted to directors, officers, employees and consultants and 13,574,932 Share purchase warrants are outstanding.

The Company also has $1,831,500 aggregate principal amount of 10% senior unsecured convertible debentures (the "**Debentures**") outstanding. The Debentures bear interest from the date of issuance at 10.0% per annum (subject to withholdings for nonresidents), semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019 (previously defined as the "**DB Maturity Date**"). $1,343,000 in principal amount of the Debentures are paid interest through the issuance of Shares at a price of $0.25 per Share and the balance of the $488,500 in principal amount Debentures receive interest payments in cash. The Debentures are convertible into Shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the DB Maturity Date; and (ii) the date fixed for redemption, at a conversion price of $0.25 per Share (previously defined as the "**DB Conversion Price**"), subject to adjustment in certain events. The Company may force the conversion of all of the principal amount of the then outstanding Debentures at the DB Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Shares be greater than $0.45 for any 10 consecutive trading days. The Debentures will be subject to redemption, in whole or in part, by the Company at any time after (i) August 16, 2018, as to $1,343,000 in principal amount of the Debentures and (ii) October 4, 2018 as to the remaining $488,500 in principal amount of the Debentures, upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Debentures plus all accrued and unpaid interest up to and including the redemption date.

Options

The Company has granted 10,493,333 stock options to acquire Shares to directors, officers, employees and consultants of the Company under its stock option plan at exercise prices ranging from $0.15 to $0.64 per Share and expiring on dates ranging from November 14, 2020 to June 13, 2022.

Securities to be Distributed

The Offering consists of Debenture Units offered at the Offering Price of $1,000 per Debenture Unit.

Each Debenture Unit will comprise one Convertible Debenture in the principal amount of $1,000 and 2,222 Warrants. The Debenture Units will separate into Convertible Debentures and Warrants immediately upon issue.

The securities to be distributed pursuant to the Offering hereunder are qualified by this Prospectus and are more particularly described under the heading "*Plan of Distribution*".

Convertible Debentures

The following is a summary of the material attributes and characteristics of the Convertible Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Debenture Indenture (as defined below), which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com.

General

The Convertible Debentures forming part of the Debenture Units will be issued pursuant to, and will be governed by, a debenture indenture (the "**Debenture Indenture**") to be entered into between the Company and Odyssey Trust Company (the "**Debenture Agent**") as of the Closing Date. The Company will appoint the principal transfer offices of the Debenture Agent in Vancouver, British Columbia as the location at which the Convertible Debentures may be surrendered for conversion, transfer or exchange.

Pursuant to the Offering, the Company will issue, at a minimum, Convertible Debentures up to an aggregate principal amount of $7,000,000 ($8,050,000 in the event the Over-Allotment Option is exercised in full on the Minimum Offering) and, at a maximum, up to an aggregate principal amount of $15,000,000, ($17,250,000 in the event the Over-Allotment Option is exercised in full on the Maximum Offering). For greater certainty, the Debenture Indenture will also govern the Convertible Debentures issued pursuant to, or in connection with, the Over-Allotment Option. The Company may, from time to time, without the consent of the holders of Convertible Debentures, issue additional debentures of a same or different series under the Debenture Indenture, in addition to the Convertible Debentures offered hereby.

The Convertible Debentures will be dated and issued as of the Closing Date and will mature on the Maturity Date, being the date which is three years from date of issuance. The Convertible Debentures will be issuable only in denominations of $1,000 and multiples thereof and will bear interest, payable in lawful money of Canada, from and including the date of issue at 10% per annum, which will be payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2018 (each an "**Interest Payment Date**"). The first interest payment will include interest accrued from the date of issuance to, but excluding, December 31, 2018. Assuming the Closing Date occurs on September 7, 2018, the first interest payment payable on December 31, 2018 will be in the amount of $31.39 per $1,000 principal amount of Convertible Debentures and each subsequent interest payment will be in the amount of $50 per $1,000 principal amount of Convertible Debentures. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

Payment

Payments of interest and principal on the Convertible Debentures will be made by the Company to the Debenture Agent who will make such payments to CDS or its nominee, as the case may be, as the registered holder of the Convertible Debentures. As long as CDS is the registered holder of the Convertible Debentures, CDS or its nominee will be considered the sole legal owner of the Convertible Debentures for the purposes of receiving payments of interest and principal on the Convertible Debentures and for all other purposes under the Debenture Indenture and the Convertible Debentures. The record date for the payment of interest will be five business days prior to an Interest Payment Date. Interest payments will be made by electronic funds transfer or certified cheque on the Interest Payment Date.

The Company also understands that payments of interest and principal by a member firm of CDS who participates in the book-based system (a "**Participant**") to owners of beneficial interest in such Convertible Debentures held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The responsibility and liability of the Company in respect of payments on the Convertible Debentures is limited solely and exclusively to making payment of any interest and

principal due on such Convertible Debenture to the Debenture Agent. If a certificate evidencing the Convertible Debentures (a "**Debenture Certificate**") is issued instead of or in place of the Convertible Debentures, payments of interest on each Debenture Certificate will be made by cheque dated the applicable Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar preceding the month of the applicable Interest Payment Date.

Conversion Privilege

The Convertible Debentures will be convertible, at no additional consideration, at the option of the holder of the Convertible Debentures into Debenture Shares any time prior to the earlier of: (i) the close of business on the last business day immediately preceding the Maturity Date; and (ii) the close of business on the date fixed for redemption of the Convertible Debentures upon a Change of Control, at the Conversion Price. Holders converting the Convertible Debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest Interest Payment Date to, and including, the date of conversion. The Conversion Price may be adjusted upon the occurrence of certain events, as outlined below. No fraction of a Debenture Share will be issued upon conversion of the Convertible Debentures.

Mandatory Conversion

The Company may, provided that no Event of Default (as defined below) has occurred and is continuing, force the conversion of the principal amount of the then outstanding Convertible Debentures into Debenture Shares at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the Shares on the CSE be greater than $0.70 for any 10 consecutive trading days.

Conversion Adjustments

It is expected that the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including, without limitation: (i) the subdivision or consolidation of the outstanding Shares; (ii) the issue of Shares or securities convertible into Shares by way of stock dividend or other distribution to all or substantially all holders of Shares; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Shares entitling them to acquire Shares or other securities convertible into Shares in certain circumstances and (iv) the distribution to all or substantially all holders of Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

No adjustment in the Conversion Price or the number of Debentures Shares issuable upon the conversion of the Convertible Debentures will be required to be made unless the cumulative effect of such adjustment or adjustments would change the Conversion Price by at least 1% or the number of Debenture Shares purchasable upon exercise by at least one one-hundredth of a Debenture Share.

Purchase

Provided that no Event of Default has occurred and is continuing, the Company will be permitted to purchase for cancellation Convertible Debentures in the market, by tender or by private contract, subject to regulatory requirements.

Payment Upon Maturity

On the Maturity Date, the Company will repay the indebtedness represented by the Convertible Debentures then outstanding by paying to the Debenture Agent in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Convertible Debentures which have matured, together with all accrued and unpaid interest thereon, less any tax required by law to be deducted.

Change of Control of the Company

Upon the occurrence of any event as a result of or following which any person, or group of persons "acting jointly or in concert" within the meaning of applicable Canadian securities laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Shares; or the sale or other transfer of all or substantially all of the consolidated assets of the Company (each, a "**Change of Control**"), holders of Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures within thirty (30) days following the giving of notice of the Change of Control, in whole or in part, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "**Offer Price**"). A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity.

If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of Change of Control have been tendered for redemption to the Company, the Company will have the right to redeem all the remaining Convertible Debentures at the Offer Price.

Ranking

The Convertible Debentures will be direct, unsecured obligations of the Company ranking *pari passu* in right of payment of principal and interest with all other current and future debt and other liabilities of the Company, effectively subordinated to all current and future secured debt and other liabilities of the Company to the extent that the assets securing such debt and other liabilities are senior to any future debt of the Company that is expressly subordinated to the Convertible Debentures.

Events of Default

It is expected that the Debenture Indenture will provide, among other things, that any one or more of the following events shall constitute an event of default ("**Event of Default**") with respect to the Convertible Debentures thereunder: (i) default in payment of principal of (and premium, if any) on any Convertible Debentures when due, whether at maturity, upon redemption, by declaration, a Change of Control or otherwise (whether such payment is due in cash, Shares or other securities or property or a combination thereof); (ii) default in payment of interest on any Convertible Debentures when due and payable and the continuance of any such default for ten (10) days; (iii) default in performing or observing any material covenant, condition, agreement or obligation of the Company and the continuance of such default for thirty (30) days after the date on which written notice of such default has been given to the Company by the Debenture Agent or by the holders of Convertible Debentures holding not less than 25% in principal amount of the outstanding Convertible Debentures specifying such default and requiring the Company to rectify the same; (iv) certain events of bankruptcy, insolvency or reorganization of the Company under

applicable bankruptcy or insolvency laws; (v) default in the delivery, when due, of all cash and any Shares or other consideration payable on conversion with respect to the Convertible Debentures, which default continues for fifteen (15) days; (vi) a resolution is passed for the winding-up or liquidation of the Company or any material subsidiary or (vii) any proceedings with respect to the Company or any material subsidiary are taken with respect to a compromise or arrangement with respect to creditors of the Company or any material subsidiary generally, under the applicable legislation of any jurisdiction.

It is expected that the Debenture Indenture will provide that if an Event of Default specified therein shall occur and be continuing with respect to a Convertible Debenture issued thereunder, then the Debenture Agent may, in its discretion, and shall, upon request of the holders of Convertible Debentures holding not less than 25% in principal amount of outstanding Convertible Debentures, declare the principal of (and premium, if any) together with accrued interest on all Convertible Debentures to be due and payable immediately upon written notice to the Company. In certain cases, the holders of a majority of the principal amount of Convertible Debentures then outstanding may, on behalf of the holders of Convertible Debentures, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

No holders of Convertible Debentures will have any right to pursue any remedy (including any action, suit or proceeding authorized or permitted by the Debenture Indenture or pursuant to applicable law) with respect to the Debenture Indenture, the Convertible Debenture unless: (i) the holder of Convertible Debentures gives to the Debenture Agent written notice of the happening of an event of default; (ii) the holders of Convertible Debentures by Extraordinary Resolution (defined in the Debenture Indenture as a resolution passed by the favourable votes of the holders of not less than 66⅔% of the principal amount of the Convertible Debentures) or by written instrument signed by the holders of at least 25% in principal amount of the Convertible Debentures then outstanding shall have made a request to the Debenture Agent and the Debenture Agent shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; (iii) the holders of Convertible Debentures or any of them shall have furnished to the Debenture Agent, when so requested by the Debenture Agent, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (iv) the Debenture Agent shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are declared in every such case, at the option of the Debenture Agent, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the holder of Convertible Debentures.

Cancellation

All Convertible Debentures converted, redeemed, repurchased or purchased as aforesaid will be cancelled by the Debenture Agent forthwith and may not be reissued or resold.

Modification

The rights of the holders of Convertible Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture (and any supplements related thereto). For that purpose, among others, it is expected that the Debenture Indenture will contain certain provisions which will make binding on all holders of Convertible Debentures any resolutions passed at meetings of the holders of Convertible Debentures by votes cast thereat by holders of not less than 66⅔% of the principal

amount of the Convertible Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Convertible Debentures.

The Company and the Debenture Agent may, without the consent or concurrence of the holders of Convertible Debentures under the Debenture Indenture, by supplemental indenture or otherwise, make any changes or corrections in the Debenture Indenture which they have been advised by counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained therein or in any indenture supplemental thereto.

Book Entry, Delivery and Form

The Convertible Debentures will be issued in book-entry only form. CDS will act as securities depository for the Convertible Debentures. The Convertible Debentures will each be represented by one or more global certificates (the "**Global Debentures**") or through the non-certificated inventory system of CDS unless the Company, in its sole discretion, elects to prepare and deliver definitive Convertible Debentures in fully registered form (the "**Definitive Debentures**"). The Global Debentures will be issued as fully-registered in book-entry only form in the name of CDS or its nominee, CDS & Co. The ownership interest of each actual purchaser of the applicable security, referred to as a "beneficial owner", is to be recorded on the Participant's records. Beneficial owners will not receive written confirmation from CDS of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from a Participant through which the beneficial owner entered into the transaction.

As indirect holders of Convertible Debentures, investors should be aware that they (subject to the situations described below): (i) may not have Convertible Debentures registered in their name; (ii) may not have physical certificates representing their interest in the Convertible Debentures; (iii) may not be able to sell the Convertible Debentures to institutions required by law to hold physical certificates for securities they own; and (iv) may be unable to pledge Convertible Debentures as security.

All interests in the Convertible Debentures will be subject to the operations and procedures of CDS.

The following is a summary of those operations and is provided by the Company solely for convenience. The operations and procedures of each settlement system may be changed at any time. The Company is not responsible for those operations and procedures and changes related thereto.

To facilitate subsequent transfers, all Convertible Debentures deposited by Participants are registered in the name of CDS. The deposit of Convertible Debentures with CDS and their registration in the name of CDS effect no change in beneficial ownership. CDS has no knowledge of the actual beneficial owners of the Convertible Debentures. CDS's records reflect only the identity of the direct Participants to whose accounts such Convertible Debentures are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Transfers of ownership interests in the Convertible Debentures will be effected by entries made on the books of the Participants acting on behalf of beneficial owners. Beneficial owners will not

receive certificates representing their ownership interests in the Convertible Debentures except in the event that use of the book-entry only system for the Convertible Debentures is discontinued or as in other exceptions or pursuant to applicable laws.

Conveyance of notices and other communications by CDS to direct participants, by direct participants to indirect Participants, and by Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

CDS will not consent or vote with respect to the Convertible Debentures. Under its usual procedures, CDS would mail an omnibus proxy to the Company as soon as possible after the record date. The omnibus proxy assigns CDS's consent or voting rights to those direct participants to whose accounts the Convertible Debentures are credited on the record date (identified in a listing attached to the omnibus proxy).

The Company will make any payments on the Convertible Debentures to CDS. CDS's practice is to credit direct Participants' accounts on the payment date in accordance with their respective holdings shown on CDS's records unless CDS has reason to believe that it will not receive payment on the payment date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participant and not of CDS or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Company will be responsible for the payment of all amounts due in respect of principal and interest to the Debenture Agent to enable to the Debenture Agent to forward or cause to be forwarded such funds to CDS. CDS will be responsible for the disbursement of those payments to its participants, and the participants will be responsible for disbursements of those payments to beneficial owners.

CDS may discontinue providing its service as securities depository with respect to the Convertible Debentures at any time by giving reasonable notice to the Company. If CDS discontinues providing its service as securities depository with respect to the Convertible Debentures and the Company is unable to obtain a successor securities depository, an investor will automatically take a position in the component securities and the Company will print and deliver Definitive Debentures.

Also, in the event that the Company decides to discontinue use of the system of book-entry only transfers through CDS (or a successor securities depository), the Company will print and deliver to the investor Definitive Debentures for the Convertible Debentures the investor may own.

The information in this section concerning CDS and CDS' book-entry only system has been obtained from sources that the Company believes to be reliable, including CDS, but neither the Company nor the Agents take responsibility for its accuracy. Neither the Company nor any trustee nor the Agents will have any responsibility or obligation to participants, or the persons for whom they act as nominees, with respect to:

- the accuracy of the records of CDS, its nominee, or any Participant, any ownership interest in the securities; or
- any payments to, or the providing of notice, to Participants or beneficial owners.

Transfer and Exchange of Debentures

Transfers of beneficial ownership in Convertible Debentures represented by Global Debentures will be effected through records maintained by CDS for such Global Debentures or its nominee (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants).

Unless the Company elects, at its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not Participants in the book-entry systems of CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Global Debentures, may do so only through Participants in CDS's book-entry systems.

The ability of a beneficial owner of an interest in a Convertible Debenture represented by a Global Debenture to pledge the Convertible Debenture or otherwise take action with respect to such owner's interest in a Convertible Debenture represented by a Global Debenture (other than through a CDS Participant) may be limited due to the lack of a certificate.

If Definitive Debentures are issued instead of or in place of Global Debentures, registered holders of Definitive Debentures may transfer such Convertible Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Definitive Debentures to the registrar for the Convertible Debentures at its principal office in the City of Vancouver, Province of British Columbia, or such other city or cities as may from time to time be designated by the Company whereupon new Definitive Debentures will be issued in authorized denominations in the same aggregate principal amount as the Convertible Debentures so transferred, registered in the names of the transferees.

Warrants

The Company has previously issued share purchase warrants to acquire up to 13,574,932 Shares at exercise prices ranging from $0.25 to $0.30 per Share and expiring on dates ranging from March 20, 2019 to October 4, 2019.

The following is a summary of the material attributes and characteristics of the Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant Indenture (as defined below), which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com

Each whole Warrant issued pursuant to the Offering will entitle the holder thereof to purchase one Warrant Share, subject to adjustment in certain circumstances, at a price of $0.65 per Warrant Share, at any time at or prior to the close of business on the date that is 36 months from the Closing Date, at which time the Warrants will become null and void. The exercise price for the Warrants will be payable in Canadian dollars. For greater certainty, all Warrants, including the Warrants issued pursuant to, or in connection with, the Over-Allotment Option, will expire on the same expiry date 36 months from the Closing Date.

The Warrants forming part of the Debenture Units will be issued pursuant to, and will be governed by, a warrant indenture (the "**Warrant Indenture**") to be entered into between the Company and Odyssey Trust Company (the "**Warrant Agent**") as of the Closing Date. For greater certainty, the Warrant Indenture will also govern the Warrants issued pursuant to, or in connection with, the Over-Allotment Option. The Company will appoint the principal transfer

offices of the Warrant Agent in Vancouver, British Columbia as the location at which the Warrants may be surrendered for exercise, transfer or exchange.

The Warrants may be issued in uncertificated form. Any Warrants issued in certificate form shall be evidenced by a warrant certificate in the form attached to the Warrant Indenture. All Warrants issued in the name of CDS may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book-entry position on the register of warrantholders to be maintained by the Warrant Agent at its principal offices in Vancouver, British Columbia.

The Warrant Indenture will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Warrant Shares to be issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Shares, the payment of stock dividends and the amalgamation of the Company.

No adjustment in the exercise price or the number of Warrant Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Shares purchasable upon exercise by at least one one-hundredth of a Warrant Share.

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

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Any subscription for fractional Warrant Shares will be deemed to be a subscription for the next smallest whole number of Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Shares would have.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either:

- passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 2 /3% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or

- adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 2 /3% of the aggregate number of all the then outstanding Warrants.

The Warrants will not be exercisable by, or on behalf of a person in the United States or a U.S. Person, nor will any certificates representing the Warrant Shares, as applicable, issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an

exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and documentation to that effect is provided in accordance with the terms of the Warrant Indenture.

Agents' Warrants

The Company is authorized to issue to the Agents the Agents' Warrants entitling the Agents to acquire that number of Agents' Units as is equal to 8% of the number of Debenture Shares that would be issued assuming conversion of 100% of the Convertible Debentures, exercisable at the Conversion Price, until the date which is 36 months from the Closing Date.

The Agents' Units are comprised of one Share and one Agents' Unit Warrant, bearing the same terms as the Warrants.

The holding of an Agents' Warrant will not constitute the holder thereof a shareholder of the Company, nor will it entitle the holder to any rights or interests as a shareholder or to receive notice of any meetings of shareholders except upon the exercise of an Agents' Warrant in accordance with its terms. The Agents' Warrants will contain provisions to the effect that, in the event of any change in the number of Agents' Unit Shares or Shares underlying the Agents' Unit Warrants or any reclassification of the Shares into other shares, or if the Company shall pay a stock dividend upon its outstanding Shares, or in the case of a consolidation, amalgamation or merger of the Company with or into another company, or any other capital reorganization of the Company not covered by the foregoing or any sale of the properties and assets of the Company as (or substantially as) an entirety to any other company, adjustments will be made in the number of Agents' Units to which the holder will be entitled to receive on any exercise of the Agents' Warrants and the exercise price thereof. See "*Plan of Distribution*" for additional information on the Agents' Warrants.

PRIOR SALES

The following table summarizes the issuances of Shares or securities convertible into Shares for the 12-month period prior to the date of this Prospectus:

Date Issued	Securities	Number of Securities Issued/Issuable	Price/Deemed Price/Exercise Price of Security
October 5, 2017	convertible debenture units [1]	1,000	$1,000.00
January 5, 2018	Shares [2]	630,550	-
January 5, 2018	Shares [3]	750,000	$0.80
various	Shares [4]	5,580,000	$0.25
various	Shares [5]	46,500,331	$0.30 to $0.35
various	Shares [6]	3,701,002	$0.15 to $0.50
March 2, 2018	Shares [7]	7,692,308	$0.65
July 5, 2018	Shares [2]	394,000	-
various	Shares [4]	3,372,000	$0.25
Various	Shares [5]	264,166	$0.15

Notes:

(1) Each convertible debenture unit consisted of a $1,000 principal amount 10% unsecured convertible debenture and 4,000 common share purchase warrants.

(2) Issued to debenture holders in payment of accrued interest.

(3) Of which 550,000 Shares were issued as a bonus to members of management and 200,000 Shares were issued pursuant to the terms of a consulting agreement, all at a deemed price of $0.80.
(4) Issued on conversion of convertible debentures.
(5) Issued on conversion of warrants.
(6) Issued on exercise of stock options.
(7) Issued to shareholders of Spire in connection with the acquisition of Spire.

TRADING PRICE AND VOLUME

The Shares were listed and posted for trading on the TSX Venture Exchange under the trading symbol "QF" until June 12, 2017. On June 16, 2017, the Shares began start trading on the CSE under the symbol "TGIF". The following tables set forth the price range per share and trading volume for the Company on the CSE for 12 months prior to the date of this Prospectus:

	Price Range Per Common Share ($)		
Date	**High**	**Low**	**Volume**
July 2017	0.31	0.19	48,820,240
August 2017	0.285	0.205	32,402,220
September 2017	0.22	0.17	21,803,680
October 2017	0.235	0.18	24,210,990
November 2017	0.58	0.19	82,469,310
December 2017	1.48	0.40	148,370,000
January 2018	1.29	0.80	125,722,392
February 2018	0.89	0.41	187,221,936
March 2018	0.80	0.53	37,085,750
April 2018	0.73	0.45	45,925,210
May 2018	0.57	0.45	15,715,310
June 2018	0.60	0.455	31,051,080
July 2018	0.52	0.375	23,135,682
August 2018 (1)	0.485	0.333	30,363,305

Note:
(1) Up to and including August 29, 2018.

On August 29, 2018, the last trading day prior to the date of this Prospectus, the closing price of the Shares on the CSE was $0.455.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of S. Paul Simpson Law Corporation, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agents, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to the acquisition, holding and disposition of Warrants, Convertible Debentures, and Shares by a holder who acquires, as beneficial owner, Warrants or Convertible Debentures, pursuant to the Offering and Shares either pursuant to such Warrants or on the conversion, redemption or maturity of such Convertible Debentures (for purposes of this section, collectively, the "**Subject Securities**") and who, for purposes of the Tax Act and at all relevant times, holds the Subject Securities as capital property, deals at arm's length with the Company, the Agents, and any person that such holder subsequently sells or otherwise transfers Subject Securities to, and is not affiliated with the Company, the Agents, or any person to which such holder subsequently sells or otherwise transfers Subject Securities (a "**Holder**"). Generally, Subject Securities will be considered to be capital property to a Holder provided the Holder does not hold the Subject Securities in the course

of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a "financial institution" (as defined in the Tax Act for the purposes of the mark-to-market rules), (ii) an interest in which would be a "tax shelter investment" (as defined in the Tax Act), (iii) that is a "specified financial institution" (as defined in the Tax Act), (iv) that has elected to report its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency, (v) that has entered or will enter into a "derivative forward agreement" or "synthetic disposition arrangement" (as defined in the Tax Act) with respect to Subject Securities, or (vi) that is a corporation resident in Canada and is, or becomes, as a part of a transaction or event or series of transactions or events that includes the acquisition of the securities, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in Section 212.3 of the Tax Act. Any such Holder should consult its own tax advisor with respect to an investment in the Debenture Units. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Subject Securities.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Proposed Amendments**") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") made publicly available prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or administrative policy or assessing practice, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder of Subject Securities, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Consequently, Holders and prospective Holders of Subject Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Debenture Units pursuant to this Offering, having regard to their particular circumstances.

Allocation of Purchase Price

Holders will be required to allocate on a reasonable basis their cost of each Debenture Unit between the Convertible Debentures and the Warrants in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Company intends to allocate $999.99 to each Convertible Debenture and $0.01 to the Warrants. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Shares owned by the Holder as capital property immediately prior to such acquisition.

Holders Resident in Canada

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada (a "**Canadian Holder**"). Certain Canadian Holders of Convertible Debentures or Shares who might not otherwise be considered to hold their Convertible Debentures or Shares as capital property may, in certain circumstances, be entitled to have the Convertible Debentures and Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such Canadian Holders in the taxation year of the election and any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election is not available in respect of Warrants. Canadian Holders should consult their own tax advisors regarding this election.

Taxation of Canadian Holders of Convertible Debentures

Taxation of Interest on Convertible Debentures

A Canadian Holder of Convertible Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Convertible Debentures (i) that accrues or that is deemed to accrue to it to the end of the particular taxation year, or (ii) that has become receivable by or is received by the Canadian Holder before the end of that taxation year, including on a conversion, redemption or repayment at maturity, except to the extent that such interest was included in computing the Canadian Holder's income for a preceding taxation year.

Any other Canadian Holder, including an individual (other than a unit trust or a trust of which a corporation or a partnership is a beneficiary), will be required to include in computing income for a taxation year all interest on the Convertible Debentures that is received or receivable by the Canadian Holder in that taxation year (depending upon the method regularly followed by the Canadian Holder in computing income), except to the extent that the interest was included in the Canadian Holder's income for a preceding taxation year. In addition, if such Canadian Holder has not otherwise included all interest that accrued on the Convertible Debentures in computing the Canadian Holder's income at periodic intervals of not more than one year, such Canadian Holder will be required to include in computing income for a taxation year any interest that accrues to the Canadian Holder on the Convertible Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Canadian Holder's income for that year or a preceding taxation year.

In this regard, to the extent that the principal amount of a Convertible Debenture exceeds the portion of the Debenture Unit purchase price allocated to the Convertible Debenture because of a reallocation of the Debenture Unit purchase price between the Convertible Debenture and the Warrants, see "*Allocation of Purchase Price*", the discount may be required to be included in computing a Canadian Holder's income, either in each taxation year in which all or a portion of

such amount accrues (in circumstances where the discount is or is deemed to be interest) or in the taxation year in which the discount is received or receivable by the Canadian Holder. If the discount is (or is deemed to be) interest to a Canadian Holder, such Canadian Holder would be required to include in income annually the portion of such interest (or deemed interest) that accrues to such Canadian Holder in the manner prescribed by the regulations under the Tax Act notwithstanding that the discount will not be received or receivable until maturity. **Canadian Holders are urged to consult their tax advisors as to the Canadian tax treatment of such discount, if any.**

A Canadian Holder of Convertible Debentures that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax of 10 2/3% on its "aggregate investment income", which is defined in the Tax Act to include interest income.

Exercise of the Conversion Privilege

Generally, a Canadian Holder that converts a Convertible Debenture into Debenture Shares pursuant to its right of conversion under the terms of the Convertible Debenture and only receives Debenture Shares upon such conversion (other than cash delivered in lieu of a fraction of a Debenture Share) will be deemed not to have disposed of the Convertible Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) upon such conversion. Under the current administrative practice of the CRA, a Canadian Holder who, upon conversion of a Convertible Debenture, receives cash not in excess of $200 in lieu of a fraction of a Debenture Share may either treat this amount as proceeds of disposition of a portion of the Convertible Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Debenture Shares that the Canadian Holder receives upon conversion by the amount of the cash received.

The aggregate cost to a Canadian Holder of the Debenture Shares acquired upon conversion of a Convertible Debenture will generally be equal to the aggregate of the adjusted cost base to the Canadian Holder of the Convertible Debenture immediately before the conversion, minus any reduction of adjusted cost base for fractional shares as discussed above. The adjusted cost base to a Canadian Holder of Debenture Shares acquired at any time will be determined by averaging the cost of such Debenture Shares with the adjusted cost base of any other Shares owned by the Canadian Holder as capital property at the time.

Upon conversion of a Convertible Debenture, interest accrued thereon will be included in computing the income of the Canadian Holder as described above under "*Holders Resident in Canada - Taxation of Canadian Holders of Convertible Debentures - Taxation of Interest on Convertible Debentures*", to the extent that such interest has not otherwise been included in computing the Canadian Holder's income for the taxation year or a previous taxation year.

Other Disposition of Convertible Debentures

A Canadian Holder that disposes of a Convertible Debenture (including due to a redemption, payment of the Convertible Debenture on maturity or purchase of the Convertible Debenture for cancellation, but not including conversion of a Convertible Debenture into Debenture Shares pursuant to the Canadian Holder's conversion privilege as described above), will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Convertible Debenture, net of any amount otherwise required to be included in the Canadian Holder's income as interest, exceed (or are less than) the aggregate of the adjusted cost base of

the Convertible Debenture to the Canadian Holder and any reasonable costs of disposition. The treatment of capital gains and losses is described below under the heading "*Holders Resident in Canada - Taxation of Canadian Holders of Shares - Taxation of Capital Gains and Capital Losses*".

Upon a disposition or deemed disposition of a Convertible Debenture by a Canadian Holder, the Canadian Holder will be required to include in computing income the amount of interest accrued on the Convertible Debenture from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in computing the Canadian Holder's income for the taxation year or a previous taxation year, and such amount will be excluded in computing the Canadian Holder's proceeds of disposition of the Convertible Debenture as described above.

If the Company pays any amount upon the redemption, purchase, maturity or Mandatory Conversion of a Convertible Debenture by issuing Shares to the Canadian Holder (but not including by the conversion of a Convertible Debenture into Debenture Shares pursuant to the Canadian Holder's conversion privilege as described above), the Canadian Holder's proceeds of disposition of the Convertible Debenture will be equal to the fair market value, at the time of disposition of the Convertible Debenture, of the Shares and any other consideration so received (except consideration received in satisfaction of accrued interest). The cost to the Canadian Holder of the Shares so received will be equal to the fair market value of such Shares. The adjusted cost base to a Canadian Holder of Shares acquired at any time will be determined by averaging the cost of such Shares with the adjusted cost base of any other Shares owned by the Canadian Holder as capital property at the time.

Taxation of Canadian Holders of Warrants

Expiry of Warrants

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

Dispositions of Warrants

Upon a disposition (or a deemed disposition) of a Warrant (other than on the exercise thereof), a Canadian Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Warrant, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such Warrant, to the Canadian Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under "*Holders Resident in Canada - Taxation of Canadian Holders of Shares - Taxation of Capital Gains and Capital Losses*".

Taxation of Canadian Holders of Shares

Dividends on Shares

Dividends received or deemed to be received on Shares held by a Canadian Holder will be included in the Canadian Holder's income for the purposes of the Tax Act.

Such dividends received by a Canadian Holder that is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as "eligible dividends".

Taxable dividends received by a Canadian Holder who is an individual (other than certain trusts) may result in such Canadian Holder being liable for alternative minimum tax under the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

A Canadian Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A "private corporation" as defined in the Tax Act or any other corporation controlled for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable under Part IV of the Tax Act to pay a refundable tax of 38 1/3% on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing the Canadian Holder's taxable income.

Disposition of Shares

A disposition or a deemed disposition of a Share by a Canadian Holder (except to the Company) will generally result in the Canadian Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base to the Canadian Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Holders Resident in Canada - Taxation of Canadian Holders of Shares - Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Canadian Holder in a taxation year must be included in the Canadian Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Canadian Holder in a taxation year must be deducted from taxable capital gains realized by the Canadian Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Canadian Holder that is a corporation on the disposition of a Share may be reduced by the amount of dividends received or deemed to be received by it on such Share (or on a share for which the Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares, directly or indirectly, through a partnership or a trust.

A Canadian Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax of 10 2/3% on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

Holders Not Resident in Canada

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act (i) is neither resident nor deemed to be resident in Canada, (ii) does not, and is not deemed to, use or hold Subject Securities, in a business carried on in Canada and (iii) is entitled to receive all payments (including all principal and interest) made on a Convertible Debenture (a "**Non-Canadian Holder**"). In addition, this discussion does not apply to: (i) an insurer who carries on an insurance business in Canada and elsewhere; (ii) an "authorized foreign bank" (as defined in the Tax Act); or (iii) a Non-Canadian Holder that is, or does not deal at arm's length with, a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of the Company. A "specified shareholder" for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Tax Act) owns or has the right to acquire or control 25% or more of the Company's shares determined on a votes or fair market value basis. Such Non-Canadian Holders should consult their own tax advisors.

Taxation of Non-Canadian Holders of Convertible Debentures

Taxation of Interest on Convertible Debentures

A Non-Canadian Holder generally should not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Company as, on account or in lieu of payment of, or in satisfaction of, interest or principal on the Convertible Debentures. See "*Risk Factors - Debentures may be Subject to Withholding Tax and Participating Debt Interest*".

Exercise of the Conversion Privilege

Generally, a Non-Canadian Holder that converts a Convertible Debenture into Debenture Shares pursuant to its right of conversion under the terms of the Convertible Debenture and only receives Debenture Shares on such conversion (other than cash delivered in lieu of a fraction of a Debenture Share), will be deemed not to have disposed of the Convertible Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) upon such conversion.

In certain circumstances, the conversion may be considered to give rise to a deemed payment of interest under the Tax Act. See also "*Holders not Resident in Canada – Taxation of Interest on Convertible Debentures*" and "*Risk Factors – Debentures may be Subject to Withholding Tax and Participating Debt Interest*".

Other Disposition of Convertible Debentures

On the disposition or deemed disposition of a Convertible Debenture (otherwise than on the conversion of a Convertible Debenture into Debenture Shares pursuant to the Non-Canadian Holder's conversion privilege as described above), a Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Canadian Holder, unless the Convertible Debenture constitutes "taxable Canadian property" (as defined in the Tax

Act) of the Non-Canadian Holder at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention.

As long as the Shares are then listed on a designated stock exchange (which currently includes the CSE), the Convertible Debentures will generally not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60-month period immediately preceding the disposition of the Convertible Debentures the following conditions are satisfied concurrently: (i) (a) the Non-Canadian Holder, (b) persons with whom the Non-Canadian Holder did not deal at arm's length, (c) partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, or (d) any combination of the persons and partnerships described in (a) through (c), owned 25% or more of the issued shares of any class of the capital stock of the Company, and (ii) more than 50% of the fair market value of the Shares was derived directly or indirectly from one or any combination of: (w) real or immovable property situated in Canada; (x) Canadian resource properties; (y) timber resource properties; and (z) options in respect of, or interests in or for civil law rights in, property described in (w) to (y) (the "**TCP Conditions**"). A Non-Canadian Holder contemplating a disposition of Convertible Debentures that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

Taxation of Non-Canadian Holders of Warrants

Dispositions of Warrants

On a disposition of a Warrant (other than on the acquisition of a Warrant Share pursuant to the terms of Warrants as discussed above), a Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Canadian Holder, unless the Warrant constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Canadian Holder at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention.

As long as the Shares are listed on a designated stock exchange (which currently includes the CSE), the Warrants will generally not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60-month period immediately preceding the disposition of the Warrant the TCP Conditions (as discussed above) are met. A Non-Canadian Holder contemplating a disposition of Warrants that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

Taxation of Non-Canadian Holders of Shares

Dividends on Shares

Any dividends paid or credited, or deemed to be paid or credited, on the Shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to full benefits under the Canada-United States Income Tax Convention (1980), as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

Disposition of Shares

A Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Canadian Holder on a disposition of a Share issuable pursuant to the terms of the Warrants or the Convertible Debentures, unless the Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Canadian Holder at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention.

As long as the Shares are then listed on a designated stock exchange (which currently includes the CSE), Shares generally will not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60-month period immediately preceding the disposition of the Shares the TCP Conditions (as discussed above) are met. A Non-Canadian Holder contemplating a disposition of Shares that might constitute taxable Canadian property should consult a tax advisor prior to such disposition.

RISK FACTORS

An investment in the Debenture Units involves a high degree of risk and must be considered highly speculative due to the nature of the Company's business and is only suitable for investors who are willing and can afford to risk a loss of their entire investment. Prospective investors should give carefully consideration, in light of their own financial circumstances, to all of the information contained and incorporated or deemed to be incorporated by reference in this Prospectus before purchasing the Debenture Units offered under this Prospectus, and in particular should give special consideration to the risk factors below and in the section entitled *"Forward-Looking Information"* above and included in the AIF and the management's discussion and analysis for the year ended July 31, 2017, which are incorporated by reference herein, and consult their own experts where necessary.

Risk Related to the Offering

Credit Risk and Earnings Coverage

The likelihood that purchasers of the Convertible Debentures will receive payments owing to them under the terms of the Convertible Debentures will depend on the financial health and creditworthiness of the Company and the ability of the Company to generate revenues or raise additional funds. See *"Earnings Coverage Ratios*", which is relevant to the assessment of the risk that the Company may be unable to pay interest or principal on the Convertible Debentures when due. There is no guarantee that the Company will be able to pay interest when due or repay the outstanding principal amount of the Convertible Debentures upon maturity.

Discretion in the Use of Proceeds

The Company currently intends to use the net proceeds from the Offering as set forth under "*Use of Proceeds*"; however, the Company maintains broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. The Company may re-allocate the net proceeds of the Offering other than as described under the heading "*Use of Proceeds*" if management of the Company believes it would be in the Company's best interest to do so and in ways that a purchaser may not consider desirable. Until utilized, the net proceeds of the Offering will be held in cash balances in the Company's bank account or invested at the discretion of the board of directors. As a result, a purchaser will be relying on the judgment of management of the Company for the application of the net proceeds of the Offering. The results and the effectiveness

of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company's results of operations may suffer, which could adversely affect the price of the Shares.

Market for Securities

The price offered to the public for the Debenture Units and the number of Debenture Units to be issued have been determined by negotiations between the Agents and the Company. The price paid for each Debenture Unit may bear no relationship to the price at which the Shares will trade in the public market subsequent to the Offering. Additionally, there can be no assurances that an active market for the Shares will be sustained after the Offering. The Company cannot predict at what price the Shares will trade.

There is currently no market through which the Convertible Debentures or the Warrants may be sold. Even though the Company has agreed to use its commercially reasonable best efforts to file an application to list the Convertible Debentures and Warrants on the CSE, there can be no assurance that such listing application will be accepted by the CSE, or that a secondary market for trading in the Convertible Debentures or Warrants will develop or that any secondary market which does develop will continue. Also, there can be no assurances that any such secondary market will be active or liquid. To the extent that an active trading market for the Convertible Debentures or Warrants does not develop, the liquidity and the trading prices for the Convertible Debentures and Warrants may be adversely affected.

Volatility of Stock Markets

Securities markets experience a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries.

These fluctuations may affect the ability of holders of the Convertible Debentures, the Warrants or Shares to sell their securities at an advantageous price. The market price of such securities may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Shares may be materially adversely affected.

If an active market for such securities does not continue, the liquidity of an investor's investment may be limited and the price of such securities may decline below the price at which the Debenture Units are issued pursuant to the Offering or at which any Underlying Securities may be acquired. If such a market does not develop, investors may lose their entire investment in the Debenture Units.

As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company.

Absence of Covenant Protection

The Debenture Indenture will not limit the ability of the Company to incur additional debt or liabilities (including senior indebtedness) or otherwise from mortgaging, pledging or charging its real or personal property to secure any indebtedness or other financing. Nor will the Debenture Indenture prohibit or limit the ability of the Company to pay dividends, except where an Event of Default has occurred and such default has not been cured or waived. The Debenture Indenture will not contain any provision specifically intended to protect holders of the Convertible Debentures in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Convertible Debentures. Assuming all other factors remain unchanged, the market value of the Convertible Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Change of Control

Holders of Convertible Debentures have the right to require the Company to repurchase all outstanding Convertible Debentures upon the occurrence of a Change of Control. However, it is possible that, following a Change of Control, the Company will not have sufficient funds at that time to make the required purchase of outstanding Convertible Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Redemption Prior to Maturity

At the option of the Company, it may force the conversion of the Convertible Debentures into Debenture Shares, on not less than thirty (30) days prior notice provided that the daily volume weighted average trading price of the Shares on the CSE is not less than $0.70 for any 10 consecutive trading days. Holders of Convertible Debentures should assume that this option will be exercised if the Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company to redeem the Convertible Debentures.

Conversion following Certain Transactions

In the case of certain transactions, each Convertible Debenture will become convertible into securities, cash or property receivable by a holder of Shares in the kind and amount of securities, cash or property into which the Convertible Debenture was convertible immediately prior to the transaction. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Convertible Debentures in the future.

Structural Subordination of the Convertible Debentures

The Convertible Debentures will be direct, unsecured obligations of the Company, effectively subordinated to all current and future secured debt and other liabilities of the Company to the extent of the assets securing such debt and other liabilities. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Company, the assets that serve as collateral for any secured indebtedness would be made available to satisfy the obligations of the creditors of such secured indebtedness before being available to pay the Company's

obligations to holders of Convertible Debentures. Accordingly, all or a substantial portion of the Company's assets could be unavailable to satisfy the claims of the holders of Convertible Debentures. In addition, the Convertible Debentures will not be guaranteed by any subsidiary of the Company and will be structurally subordinated to all current and future liabilities of the Company's subsidiaries, including trade payables. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Convertible Debentures.

Shareholder Rights

Holders of Convertible Debentures and Warrants will not be entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares, other than extraordinary dividends that the board of directors designates as payable to the holders of the Convertible Debentures or Warrants), but if such a holder subsequently: (a) exercises its Warrants; or (b) converts its Convertible Debentures, into Shares, such holder will be subject to all changes affecting the Shares. Rights with respect to the Shares will arise only if and when the Company delivers Shares upon (a) the exercising of a Warrant; or (b) the conversion of a Convertible Debenture and, to a limited extent, under the conversion rate adjustments under the Warrant Indenture and the Debenture Indenture. For example, in the event that an amendment is proposed to the Company's constating documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Shares that result from such amendment.

Debentures may be Subject to Withholding Tax and Participating Debt Interest

The Tax Act generally provides that withholding tax is not payable on interest paid or credited to non-residents of Canada that deal at arm's length with the payor. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian

Institute of Chartered Accountants sent to the CRA on May 10, 2010) and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The Convertible Debentures should meet the criteria set forth in the CRA's statement. However, the application of CRA's published guidance to the Convertible Debentures is uncertain and there is a risk that CRA could take the position that amounts paid or payable to a non-resident holder of Convertible Debentures on account of interest or any excess may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention). As noted under "*Withholding and Change in Tax Laws*" below, the Debenture Indenture will not contain a requirement that the Company increase the amount of interest or other payments to holders of Convertible Debentures in the event that it is required to withhold Canadian withholding tax on payments of interest (including any excess that may be considered to be participating debt interest).

Withholding and Change in Tax Laws

The Debenture Indenture will not contain a requirement that the Company increase the amount of interest or other payments to holders of Convertible Debentures in the event that the Company is required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts on the Convertible Debentures. At present, the Company does not intend to withhold amounts from such payments to holders of Convertible Debentures that, for purposes of the Tax Act, are at the time of payment either (i) resident in Canada, or (ii) not resident in Canada and (A) deal at arm's length with the Company, and (B) are not deemed to receive such payments as dividends, but no assurance can be given that the Tax Act and other applicable income tax laws will not be changed in a manner that may require the Company to withhold amounts in respect of tax payable on such amounts.

Investment Eligibility

The Company will endeavour to ensure that, following the issuance of the Convertible Debentures and the Warrants, the Convertible Debentures, the Warrants and the Underlying Securities continue to be qualified investments under the Tax Act for trusts governed by Registered Plans (except, in the case of the Convertible Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm's length with the Company, has made a contribution), however there can be no assurance that the conditions prescribed for the Convertible Debentures, the Warrants and the Shares to continue to be qualified investments will be adhered to at any particular time. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

Risk Factors Related to Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's constating documents permit the issuance of an unlimited number of Shares. The Company's shareholders do not have pre-emptive rights in connection with any future issuances of securities by the Company. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Shares will be issued by the Company on the exercise of options under its stock option plan and upon the exercise of outstanding convertible securities.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its future business activities by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain 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. The Company will require additional financing to fund its operations until positive cash flow is achieved. See "*Risk Factors – Negative Cash Flow from Operations*".

Negative Cash Flow from Operations

During the year ended July 31, 2017 and the nine-month period ended April 30, 2018, the Company had negative cash flows from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities.

Dividends

The Company does not anticipate paying any dividends on the Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Any decision to declare and pay dividends in the future will be made at the discretion of the Company's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Company's board of directors may deem relevant. As a result, investors may not receive any return on an investment in the Debenture Units unless they sell their shares of the Company for a price greater than that which such investors paid for them.

Forward-Looking Information may Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See "*Forward-Looking Information*".

It may be difficult, if not impossible, for U.S. holders of the Company's securities to resell them over the CSE

It has recently come to management's attention that all major securities clearing firms in the U.S. have ceased participating in transactions related to securities of Canadian public companies involved in the medical marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire the Debenture Units as "restricted securities" (including any Shares pursuant to the conversion of the Debentures or the exercise of Warrants) may find it difficult – if not impossible – to resell such securities over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any securities of the Company that they may acquire in open market transactions.

Canadian Investors in the Company's Securities and the Company's directors and officers may be subject to travel and entry bans into the United States

Recent media articles have reported that certain Canadian citizens have been rejected for entry into the United States, due to their involvement in the marijuana sector, which has in at least one widely reported incident, included an investor in companies operating in the marijuana sector in states where it is legal to do so, which resulted in that case in a lifetime ban to the investor.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply barred entry one time. The U. S. Department of State and the Department of Homeland Security has indicated that the United States has not changed admission requirements in response to the pending legalization in Canada of recreational cannabis, but anecdotal evidence indicates that the United States may be increasing enforcement of its federal laws regarding marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana.

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

Risks Related to the Business of the Company

Risk Relating to the United States Regulatory System

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

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

The Company's operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company 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 industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

This Prospectus involves an entity that is expected to continue to derive a significant portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Currently, the Company is directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the United States. **The enforcement of relevant laws is a significant risk.**

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

Risk of Heightened Scrutiny by Regulatory Authorities in Canada

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

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with the DTC for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Shares in the event of a CDS ban.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

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

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To its knowledge, the Company is currently in compliance with such laws in all

material respects. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

While the impact of the changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Risks associated with the change in U.S. Administrations.

As a result of the 2016 U.S. presidential election and the related change in political agenda, there continues to be uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Risks Concerning Banking

The U.S. federal prohibitions on the sale of marijuana may result in the Company and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. The Company is at risk that any bank accounts it has could be closed at any time. Such risks increase costs to the Company. Additionally, similar risks are associated with large amounts of cash at its business locations. These locations require heavy security with respect to holding and transport of cash.

The guidance provided in the FinCEN Memo may change depending on the position of the U.S. government administration at any given time and is subject to revision or retraction in the future, which may restrict the Company's access to banking services.

In the event financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that the Company may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Product Liability, Operational Risk

As a manufacturer and 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 manufacture and sale of marijuana and CBD infused products based on the Company's recipes and brands involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of 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 Company's 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 potential products.

Should the Federal government legalize marijuana for medical or recreational use nation-wide, it is possible that the U.S. Food and Drug Administration ("**FDA**") would seek to regulate the products under the *Food, Drug and Cosmetics Act* of 1938. Additionally, the state of California has recently stated that it will only approve certain food related products for sale once approved by the FDA. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical and adult use marijuana and CBD infused products. Clinical trials may be needed to verify efficacy and safety of the medical and adult use marijuana. It is also possible that the FDA would require that facilities where medical and adult use marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event any of these regulations are imposed, The Company cannot foresee the impact on its operations and economics. If the Company is unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Company may be unable to continue to operate in its current form or at all.

Product Recall Risks

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 products developed by the Company and sold by it or by licensed producers are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of revenue due to a loss of and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has established procedures to test finished products (in connection with Nevada state requirements), 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 the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

Risks Inherent in an Agricultural Business

The Company's business will involve the growing of marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that its products will be grown indoors under climate-controlled conditions, carefully monitored by trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

Marijuana growing operations consume considerable energy, making such operations vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation Disruptions

Due to the perishable and premium nature of agricultural products, the Company will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Unfavorable Publicity or Consumer Perception

The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of marijuana products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana 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 favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's 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 medical marijuana 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 medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana 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.

Uninsurable Risks

The medical and adult use marijuana business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not currently have any insurance policies covering its properties or the operation of its business and any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

The Company may not be able to accurately predict its future capital needs and it may not be able to secure additional financing.

The Company may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Threats from illegal drug dealers

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade marijuana in the United States, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized marijuana businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

Reliance on Management

The success of the Company is currently dependent on the performance of its Chief Executive Officer and board of directors. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Factors which may prevent realization of growth targets

The Company is currently in the early growth stage. There is a risk that the additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company

- maintaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labor costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labor disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Competitive Risks

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medical and adult use marijuana industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

Due to 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 legal users of marijuana in its target jurisdictions 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 operations the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Difficulties in Forecasting

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

Holding Company

As a holding company with no material assets other than the stock of the Company's operating subsidiaries and intellectual property, nearly all of the Company's funds generated from operations will be generated by the Company's operating subsidiaries. The Company's subsidiaries are subject to requirements of various regulatory bodies, both domestically and internationally, specifically in the United States. Accordingly, if the Company's operating subsidiaries are unable, due to regulatory restrictions or otherwise, to pay the Company's dividends and make other payments to the Company when needed, the Company may be unable to satisfy the Company's obligations when they arise.

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.

Currency Fluctuations

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business will be conducted in the United States using U.S. dollars. The Company's financial results are reported in Canadian Dollars and costs are incurred primarily in U.S. dollars in its marijuana and CBD infused products segments. The depreciation of the Canadian Dollar against the U.S. Dollar could increase the actual capital and operating costs of the Company's U.S. operations and materially adversely affect the results presented in the Company's financial statements. Currency exchange fluctuations may also

materially adversely affect the Company's future cash flow from operations, its results of operations, financial condition and prospects.

Enforcement of Legal Rights

In the event of a dispute arising from the Company's U.S. operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Conflicts of Interest

Certain officers and directors of the Company are also officers and/or directors of other entities engaged in the cannabis industry generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure

that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Inability to Renew Material Leases

The Company may be unable to renew or maintain its leases (commercial or real property) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Company's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Company's leases, the Company may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Company's operations could have an adverse effect on its financial condition and results of operations.

Obtaining Insurance

Due to the Company's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Company to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Company is forced to go without such insurance coverage, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Inability to Protect Intellectual Property

The Company's success is heavily dependent upon its intangible property and technology. The Company relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. Other companies may also be able to materially duplicate the Company's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the

Company's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

INTEREST OF EXPERTS

Experts

The following persons or companies whose profession or business gives authority to a statement made by the person or company are named in the Prospectus as having prepared or certified a part of that document, report, statement or opinion described in the Prospectus:

(1) The information in this Prospectus under the heading "*Eligibility for Investment*" has been included in reliance of the opinion of S. Paul Simpson Law Corporation, counsel to the Company; and

(2) The audited financial statements of the Company included with this Prospectus have been subject to audit by Davidson & Company LLP, and their audit report is included therein.

Based on information provided by the relevant persons in paragraphs 1 and 2 above, none of such persons or companies have received or will receive direct or indirect interests in the assets of the Company or have any beneficial ownership, direct or indirect, of securities of the Company.

Davidson & Company LLP, the Company's auditors, report that they are independent of the Company in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

PROMOTERS

The Company has no promoters other than its directors and officers. Except as described below, no assets have been acquired or are to be acquired by the Company from the directors and officers. Other than as described in this Prospectus, no promoter of the Company has received or will receive anything of value, including money, property, contracts, options or rights of any kind from the Company in respect of acting as a promoter of the Company, other than in relation to executive compensation.

Mr. Brayden Sutton, President, CEO and a director of the Company is considered to be a promoter within the meaning of applicable securities legislation for his role in substantially founding and organizing the Company. The Company has not acquired any assets from or entered into contractual relations with Mr. Sutton, except for

(a) subscription agreements for securities entered into with the Company on the same terms as other investors;

(b) in relation to executive compensation, as outlined in the Company's management information circular dated March 15, 2018, incorporated by reference herein; or

(c) the acquisition of 1,110,000 common shares of Spire then held by Mr. Sutton pursuant to an agreement to purchase shares dated February 23, 2018 between the Company and all of the then shareholders of Spire (the **"Spire Acquisition**"). In consideration of Mr. Sutton's then held shares of Spire, the Company issued to Mr. Sutton an aggregate of 768,539 Shares at a deemed price of $0.65 per Share. Mr. Sutton held less than 10% of the outstanding common shares of Spire and abstained from negotiations as well as board resolutions relating to Spire's acquisition by the Company. The Company issued a total of 7,692,308 Shares to acquire Spire on March 1, 2018 having consideration for third party valuations obtained in respect of Spire.

Mr. Sutton controls, directly or indirectly, 4,235,824 Shares, representing approximately 1.53% of the outstanding Shares, as at the date of this Prospectus. Mr. Sutton also holds an aggregate of 3,000,000 stock options, 1,888,804 share purchase warrants and $202,500 in principal amount convertible debentures.

RELATIONSHIP BETWEEN THE COMPANY AND THE AGENTS

The Company is not a related or connected party (as such terms are defined in National Instrument 33- 105 *Underwriting Conflict*s) to the Agents.

AUDITOR, REGISTRAR AND TRANSFER AGENT

The auditor of the Company is Davidson & Company LLP, Chartered Accountants, Suite 200-609 Granville St, Vancouver, British Columbia, V7Y 1G6. The registrar and transfer agent of the Shares of the Company is TSX Trust Company of Canada, 10th floor, 300-5th Avenue SW, Calgary, Alberta T2P 3C4. The Debenture Agent in respect of the Debentures is Odyssey Trust Company., 835 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2. The Warrant Agent in respect of the Warrants is Odyssey Trust Company., 835 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

OTHER MATERIAL FACTS

To management's knowledge, there are no other material facts relating to the securities being distributed that are not otherwise disclosed in this prospectus, or are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the Company and securities being distributed.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the provinces of British Columbia, Alberta, Saskatchewan and Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, or revisions of the price or damages, are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. A 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.

Original purchasers of Convertible Debentures will have a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Convertible Debenture, 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 Convertible Debenture, as the case may be, the amount paid upon conversion, exchange or 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 convertible, exchangeable or exercisable security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of purchase of the convertible, exchangeable or exercisable security 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 convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or 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.

LIST OF EXEMPTIONS

The Company has not applied for or received any exemption from National Instrument 44-101, "*Short Form Prospectus Distributions*" or National Instrument 41-101 *"General Prospectus Requirements"*, regarding this Prospectus or the distribution of its securities under this Prospectus.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by S. Paul Simson Law Corporation and by DLA Piper (Canada) LLP, on behalf of the Agents. As at the date hereof, the partners and associates of S. Paul Simpson Law Corporation, as a group and the partners and associates of DLA Piper (Canada) LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Shares of the Company.

SIGNIFICANT ACQUISITIONS

The Company has not completed any significant acquisitions since the completion of the financial year ended July 31, 2017.

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

By Order of the Board of Directors

August 30, 2018
Vancouver, British Columbia

(Signed) *"Brayden Sutton"*
Chief Executive Officer
Friday Night Inc.

(Signed) "*Michael Hopkinson*"
Chief Financial Officer
Friday Night Inc.

(Signed) *"D. Richard Skeith*"
Director
Friday Night Inc.

(Signed) "*Andrew Richards"*
Director
Friday Night Inc.

CERTIFICATE OF THE PROMOTERS

To the best of my knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

August 30, 2018
Vancouver, British Columbia

(Signed) *"Brayden Sutton"*
Brayden Sutton

CERTIFICATE OF THE AGENTS

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

August 30, 2018
Calgary, Alberta

CANACCORD GENUITY CORP.

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