No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes an 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 under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws and may not be offered or sold within the United States (as defined in Regulation S under the 1933 Act) or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the 1933 Act) unless registered under the 1933 Act and applicable state securities laws or an exemption from such registration is available. 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 or to, or for the account or benefit of U.S. persons. See "Plan of Distribution."

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada*. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Chemistree Technology Inc. at Suite 810 - 609 Granville Street, P.O. Box 10322, Pacific Centre, Vancouver, British Columbia, V7Y 1G5, Canada, telephone (604) 678-8941 and are also available electronically at www.sedar.com.*

New Issue March 25, 2019

SHORT FORM PROSPECTUS

CHEMISTREE TECHNOLOGY INC.

Up to $8,200,000 10% Unsecured Convertible Debenture Units

Price $1,000 per Convertible Debenture Unit

This short form prospectus (this "**Prospectus**") qualifies the distribution (the "**Offering**") of up to 8,200 units (the "**Debenture Units**") of Chemistree Technology Inc. ("**Chemistree**" or the "**Company**") at a price of $1,000 per Debenture Unit (the "**Offering Price**").

The Offering is being made pursuant to an agency agreement dated March 22, 2019 (the "**Agency Agreement**") among the Company and Canaccord Genuity Corp. ("**Canaccord**" or the "**Agent**"), acting as sole book-runner. The Agent has been retained to act as agent in connection with the Offering to conditionally offer the Debenture Units for sale if, as and when issued by the Company and accepted by the Agent on a "best efforts" basis in accordance with the conditions contained in the Agency Agreement. The Offering Price and certain other terms of the Offering were determined by arm's length negotiations between the Company and Canaccord. See "*Plan of Distribution*".

Each Debenture Unit will consist of one 10% unsecured convertible debenture of the Company in the principal amount of $1,000 (each, a "**Debenture**") with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2019 (each, an "**Interest Payment Date**") and maturing three years from the date the Debentures are issued (the "**Maturity Date**") and 2,000 common share purchase warrants of the Company (each common share purchase warrant, a "**Warrant**") expiring 36 months after the date of issuance of such Warrants (the "**Warrant Expiry Date**").

Each Debenture will be convertible at the option of the holder of the Debenture (each, a "**Debentureholder**") into common shares in the capital of the Company (the "**Debenture Shares**") at any time prior to the earlier of: (i) the last business day immediately preceding the Maturity Date, subject to Mandatory Conversion (as defined below); and (ii) the business day immediately preceding the date specified for redemption of the Debentures upon a Change of Control (as defined herein), at a conversion price of $0.50 per Debenture Share, subject to adjustment in certain events (the "**Conversion Price**"). Upon conversion, Debentureholders 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 Debentures (the "**Mandatory Conversion**") at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the common shares in the capital of the Company (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**") be equal to or greater than $1.00 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 Debentures at that time. See "*Debentures – Conversion Adjustments*".

The Debentures will be governed by a debenture indenture (the "**Debenture Indenture**") to be dated as of the Closing Date (as defined herein) and to be entered into between the Company and Odyssey Trust Company ("**Odyssey**") as debenture trustee. The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be dated as of the Closing Date and to be entered into between the Company and Odyssey.

Each Warrant will entitle the holder thereof (the "**Warrantholder**") to purchase one Common Share (each, a "**Warrant Share**") at an exercise price of $0.70 per Warrant Share at any time up to 5:00 p.m. (Vancouver time) on the Warrant Expiry Date, subject to adjustment in certain events. The Debentures and the Warrants comprising the Debenture Units will separate immediately upon the closing of the Offering. See "*Plan of Distribution*".

Chemistree's outstanding Common Shares are currently listed and posted for trading in Canada on the CSE under the symbol "CHM", and in the United States of America (the "**United States**" or, the "**U.S.**") on the QTCQB under the symbol "CHMJF". The closing price of the Common Shares on March 22, 2019, being the last trading day of the Common Shares prior to the date of this Prospectus, was $0.47 per Common Share on the CSE and US$0.35 per Common Share on the QTCQB.

The Company has applied to list the Warrants, the Debenture Shares, the Warrant Shares and the Broker Unit Shares (as defined below) (collectively, the "**Underlying Securities**") on the CSE. This Prospectus also qualifies for distribution the Broker Units and the Broker Unit Warrants (as such terms are defined herein).

Price: $1,000 per Debenture Unit

	Price to the Public	Agent's Fee[(1)]	Net Proceeds to the Company[(2)(4)]
Per Debenture Unit	$1,000	$70	$930
Total[(3)]	$8,200,000	$574,000	$7,626,000

(1) The Company has agreed to pay a cash commission (the "**Agent's Fee**") to the Agent equal to 7.0% of the gross proceeds of the Offering, including in respect of any Additional Units (as defined herein) issued upon exercise of the Over-Allotment Option (as defined herein). As additional consideration for the services rendered in connection with the Offering, the Company has agreed to: (a) pay Canaccord a corporate finance fee of $150,000 (the "**Corporate Finance Fee**"), payable on the Closing Date, of which $75,000 will be paid in cash and $75,000 will be paid in Common Shares issued at the Conversion Price; (b) issue to the Agent non-transferable broker warrants (the "**Broker Warrants**") to purchase such number of units (collectively, the "**Broker Units**") as is equal to 7.0% of the number of Debenture Shares that would be issued assuming the conversion of 100% of the Debentures making up the Debenture Units sold under the Offering (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option), at the initial Conversion Price, and at an exercise price per Broker Unit equal to the Conversion Price at any time up to 36 months following the Closing Date; and (c) pay Canaccord a fiscal advisory fee of $28,000 (the "**Fiscal Advisory Fee**") and issue 28,000 Broker Warrants to Canaccord (the "**Fiscal Broker Warrants**"). Each Broker Unit will consist of one Common Share (a "**Broker Unit Share**") and one-half of one Common Share purchase warrant (each whole common share purchase warrant, a "**Broker Unit Warrant**"). Each Broker Unit Warrant entitles the holder thereof the right to purchase one Common Share (each, a "**Broker Warrant Share**") at an exercise price of $0.70 per Broker Warrant Share at any time up to 36 months following the Closing Date (the "**Broker Warrant Expiry Date**"). See "*Plan of Distribution*".

(2) After deducting the Agent's Fee, but before deducting the Corporate Finance Fee, the Fiscal Advisory Fee and the expenses of the Offering, estimated to be $250,000, which, together with the Agent's Fee and the Corporate Finance Fee and the Fiscal Advisory Fee, will be paid from the proceeds of the Offering.

(3) The Company has granted to the Agent an option (the "**Over-Allotment Option**"), exercisable from time to time in whole or in part, in the sole discretion of the Agent, up to 30 days from the Closing Date, to purchase up to an additional 15% of the

number of Debenture Units sold pursuant to the Offering on the same terms as set forth above to cover over-allotments, if any (the "**Additional Units**"). A person who acquires Additional Units forming part of the Agent's over-allocation position acquires such Additional 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. If the Offering is fully subscribed and the Over-Allotment Option is exercised in full, the total price to the public will be $9,430,000, the total Agent's Fee will be $660,100 and the total net proceeds to the Company will be $8,769,900 (in each case before deduction of the expenses of the Offering and before the payment of the Corporate Finance Fee and the Fiscal Advisory Fee (see note 2 above)). This Prospectus qualifies the distribution of the Over-Allotment Option and the distribution of the Additional Units issuable upon exercise of the Over-Allotment Option. Unless the context otherwise requires, references herein to the "Offering" and the "Debenture Units" assume the exercise of the Over-Allotment Option in full. See "*Plan of Distribution*".

(4) If the Concurrent Private Placement (as defined herein) is completed and the Offering is fully subscribed, the aggregate net proceeds of the Offering and the Concurrent Private Placement (before deducting the estimated expenses of the Offering referred to in Note 2, above) will be $8,928,000 (assuming no exercise of the Over-Allotment Option).

The following table sets out the number of securities that may be issued by the Company pursuant to the Over-Allotment Option and to the Agent and certain Finders (as defined herein), assuming the Offering and the Concurrent Private Placement are each fully subscribed:

Agent's Position	Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to increase the number of Debenture Units by up to 1,230 Additional Units[(1)]	Up to 30 days from the Closing Date	$1,000 per Additional Unit
Broker Warrants	Up to 1,516,200 Broker Units[(2)]	Exercisable for a period of 36 months following closing	The Conversion Price

(1) The Over-Allotment Option grants the Agent the right to purchase up to an additional 15% of the number of Debenture Units sold pursuant to the Offering.

(2) Equal to 7% of the number of Debenture Shares issuable upon conversion of the Debentures, based on a Conversion Price of $0.50 per Debenture Share, assuming the Offering and the Concurrent Private Placement are each fully subscribed, and including the Fiscal Broker Warrants.

There is no underwriter involved in the Offering and the Offering has not been underwritten or guaranteed by any person. The Agent, as principal, conditionally offers the Debenture Units for sale, subject to prior sale, if, as and when issued by Chemistree and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain Canadian legal matters by Blake, Cassels & Graydon LLP on behalf of the Company and by DLA Piper (Canada) LLP on behalf of the Agent.

Subject to applicable laws, the Agent may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. See "*Plan of Distribution*".

Concurrently with the Offering, the Company will complete a non-brokered private placement of 1,400 Debenture Units (the "**Private Placement Units**") at the Offering Price for aggregate gross proceeds of $1,400,000 (before deducting the payment of a cash commission equal to 7.0% of the gross proceeds received from each investor introduced to the Company by a Finder (as defined below), such cash commission together with the Broker Warrants issuable to such Finder, a "**Finder's Fee**") (the "**Concurrent Private Placement**"). This Prospectus does not qualify the distribution of the Private Placement Units issuable pursuant to the Concurrent Private Placement. The Concurrent Private Placement is expected to close on the Closing Date. The Private Placement Units, and the securities issuable thereunder, will be subject to a statutory hold period. The Concurrent Private Placement is subject to a number of conditions, including completion of definitive documentation, the concurrent closing of the Offering and the approval of the CSE.

Subscriptions for the 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. It is expected that the closing of the Offering will take place on or about March 29, 2019, or such other date as may be agreed upon by the Company and Canaccord, but in no event later than 42 days after the receipt is obtained from the British Columbia Securities Commission, as principal regulator, for the final short form prospectus filed in connection with this Offering (the "**Closing Date**"). It is expected that, except in limited circumstances, the Company will arrange for an instant deposit of the Debenture Units to or for the account of the Agent with CDS Clearing and Depository Services Inc. ("**CDS**") on the Closing Date, against payment for the Debenture Units. A purchaser of Debenture Units will receive only a customer confirmation from the Agent or registered dealer through which the Debenture Unites are purchased and who is a CDS participation. No certificates evidencing the Debentures and Warrants comprising the Debenture Units will be issued to investors except in limited circumstances. See "*Plan of Distribution*".

There is no market through which the Debentures may be sold and there is currently no market through which the Warrants may be sold, purchasers may not be able to resell Debentures or Warrants purchased under this Prospectus. This may affect the pricing of the Debentures and Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and Warrants, and the extent of issuer regulation. See "*Plan of Distribution*", "*Description of the Securities Being Distributed – Debentures*", "*Description of the Securities Being Distributed – Warrants*" and "*Risk Factors*".

Investors should rely only on the information contained in or incorporated by reference into this Prospectus. The Company has not, and the Agent has not authorized anyone to provide investors with different information. Information contained on or available through the Company's website shall not be deemed to be a part of this Prospectus or incorporated by reference herein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the Debenture Units. Neither the Company nor the Agent are making an offer of these securities in any jurisdiction where the offer or sale is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the face page of this Prospectus. The Company's business, operating results, financial condition and prospects may have changed since that date; however, if, after a receipt for the final Prospectus is issued but before the completion of the distribution under the final Prospectus, a material change (as such term is defined under applicable Canadian securities laws) occurs in the business, operations or capital of the Company, the Company must file an amendment to the Prospectus as soon as practicable but in any event within ten days after the day the material change occurs.

There is no minimum amount of funds that must be raised under the Offering. This means that the Company could complete the Offering after raising only a small proportion of the Offering set out above.

The Debentures and the Debenture Shares issuable upon 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 months ended June 30, 2018 and the six months ended December 31, 2018 is less than one-to-one. The Company would have required an increase of $738,475 in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for the 12 month period ending June 30, 2018 and an increase of $1,370,685 in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for the six month period ended December 31, 2018. See "*Earnings Coverage Ratios*".

After giving effect to the Offering and the Concurrent Private Placement, the earnings coverage ratio of the Company for the 12 months ended June 30, 2018 and the 12 months ended December 31, 2018 is less than one-to-one. The Company would have required an increase of $1,698,475 in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for the 12 month period ending June 30, 2018 and an increase of $1,850,685 in the numerator of this earnings coverage ratio in order to achieve an earnings coverage ratio of one-to-one for the 6 month period ended December 31, 2018.

An investment in the Debenture Units is highly speculative and involves a high degree of risk. Investors should carefully consider the risk factors described and incorporated by reference in this Prospectus. See "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Information*".

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

Sheldon Aberman, a director of the Company, resides outside of Canada and has appointed an agent for service of process in Canada. See "*Enforcement of Judgments Against Foreign Persons or Companies*".

Chemistree's registered and records office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, British Columbia, V7X 1L3, Canada and its head office is located at Suite 810, 690 Granville Street, Vancouver, British Columbia, V7Y 1G5, Canada.

References to Chemistree or the Company also include its subsidiary entities as the context requires.

This Prospectus qualifies the distribution of securities of an entity that is focused on making investments and acquisitions in the United States, including potential investments and acquisitions in states that have legalized cannabis for medical or adult-use.

Having completed the Washington Acquisition (as defined herein), the Company expects to indirectly derive, through investments in ancillary operations, revenue from the adult-use cannabis industry in the United States in jurisdictions where local law permits such activities, and may in the future indirectly derive revenue from the medical cannabis industry in the United States and the medical and/or adult-use cannabis industries in Canada. See "*Risk Factors - Risks Related to Uncertain Regulatory Environments Where we Operate*" and "*Risk Factors – United States*" in the AIF (as defined herein).

Although a number of states of the United States have legalized medical and/or recreational use of cannabis, it remains illegal under United States federal laws. Accordingly, there are a number of risks associated with the Company's plans and current, proposed and potential future investments, even where the Company is not directly involved in the cultivation or sale of either adult-use or medical cannabis. There is a risk that United States federal authorities may enforce federal law prohibiting the cultivation and sale of cannabis or laws relating to the proceeds thereof. See "*Risk Factors - Risks Related to Uncertain Regulatory Environments Where we Operate*" and "*Risk Factors – United States*" in the AIF.

Almost half of the states of the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S *Controlled Substances Act* (the "CSA") in the United States and as such, is in violation of U.S. federal law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the *United States Constitution* establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the paramountcy of United States federal law, enforcement of such laws may be limited by other means or circumstances, which are further described in this Prospectus and the documents incorporated by reference herein. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the likelihood, timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law, which may adversely affect any current or future investments of the Company in the United States. As such, there are a number of risks associated with any of the Company's current or future investments in the United States, and such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities. 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. See "*Risk Factors - Risks Related to Uncertain Regulatory Environments Where we Operate*" and "*Risk Factors – United States*" in the AIF.

On October 17, 2018, the *Cannabis Act, 2018* (the "Cannabis Act") came into force with the effect of legalizing adult recreational use of cannabis across Canada. The Cannabis Act provides for the federal government to regulate commercial production of cannabis products and grants the provincial, territorial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements of the Cannabis Act. The provinces of Canada have passed legislation which sets out the scheme for private cannabis sales in each Province. The new framework opens the door for private operators to capitalize on cannabis retail opportunities in Canada. See "*Risk Factors - Risks Related to Uncertain Regulatory Environments Where we Operate*" and "*Risk Factors – Canada*" in the AIF.

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 (the "TMX MOU") with Aequitas NEO Exchange Inc., the Canadian Securities Exchange, the TSX and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to

the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented after the Company begins operating in cannabis-related activities in the United States, it would have a material adverse effect on the ability of holders of Common Shares, Debentures and Warrants to make and settle trades. In particular, the Common Shares, Debentures and Warrants would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares, Debentures and Warrants through the facilities of a stock exchange. See "*Risk Factors - Risks Related to Uncertain Regulatory Environments Where we Operate*" and "*Risk Factors – United States*" in the AIF.

Accordingly, the Company, and its investments in the cannabis sector, may be subjected to heightened scrutiny by applicable regulatory authorities, the CSE, clearing agencies or other governmental bodies. See the sections entitled "*Description of the Business – Legal and Regulatory Trends*" in the AIF and "*Risk Factors*" in the AIF and below, for further details.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference herein contain "forward-looking statements" within the meaning of applicable U.S. securities laws and "forward-looking information" within the meaning of applicable Canadian securities laws, which are referred to collectively as "forward-looking information". Forward-looking information includes statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking information in, or incorporated by reference into, this Prospectus includes, but is not limited to statements and information regarding: the completion, settlement, size and closing of the Offering and the Concurrent Private Placement; the satisfaction of the conditions for the closing of the Offering and the Concurrent Private Placement, including the receipt in a timely manner, of regulatory and other required approvals and clearances, including the approval of the CSE; the use of the net proceeds of the Offering and the Concurrent Private Placement; the payment of interest and the principal amount, and the conversion or exercise of other rights attached to the Debentures; the listing of the Underlying Securities on the CSE; the exercise of the Over-Allotment Option; the Company's future business plans, operating results, financial condition and potential investments and acquisitions; the timing, costs and completion of the Washington facilities expansion including the costs and timing of a license agreement with the Strategic Partner (as defined below); the timing and entry into the expansion of the Company's brands, including the launch of "Sugarleaf" branded products; the timing and completion of the licenses for Phase 1 of the DHS (as defined below) land development; the timing, costs and completion for Phase 2 of the DHS land development, including the timing and costs for completion of the first greenhouse; the receipt of licenses for and the estimated cannabis production from facilities at the DHS Property; the capacity and range of products from the facilities at the DHS Property; the laws and regulations in respect of the cannabis industry in the United States (both federally and on a state level), in Canada and outside of North America, the Company's ongoing compliance with such laws, the enforcement of U.S. federal law and changes to and enforcement of any applicable U.S. state laws in respect of the U.S. cannabis market; the eligibility of the Underlying Securities as qualified investments under the *Income Tax Act* (Canada); the Company's future operation of licensed cultivation, processing, distribution or retail facilities in the cannabis industry in the United States, Canada and outside of North America; the Company's social media business; the Company's business and investment operations in Washington State, the state of California, the United States, Canada and jurisdictions outside of North America, including the entering into of agreements with strategic partners, the acquisition of any required license in the applicable jurisdiction, and any future investments or acquisitions in any jurisdiction; the implementation of the Company's investment policy including the, nature, timing, structure, amount and location of the investment; the plan of distribution for the Offering; the tax consequences of purchasers investment in the Debenture Units; and the future trading price and liquidity of the Common Shares, Debentures and Warrants.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to differ materially from those anticipated in such forward-looking information. The Company believes 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 you are cautioned not to place undue reliance on forward-looking information contained herein. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations the Company and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: establishing a trading market for the Debenture and the Warrants; fluctuations in the market price for the Common Shares, Debentures and Warrants; risks relating to the dilution of Common Shares, Debentures and Warrants; risks and uncertainties relating to the actual use of proceeds; potential adverse tax consequences; changes in market conditions; failure to obtain required financing; regulatory environments where the Company operates; inconsistent treatment of cannabis in certain states and federally in the U.S.; anti-money laundering laws and regulations in the U.S.; enforcement of federal laws against the Company; the Company's balance sheet exposure to

U.S. cannabis related activities; the federal and provincial regulatory frameworks in Canada; loss of business and/or opportunities due to perceived risks; insufficient cash flows to meet the Company's capital expenditure requirements; the Company's history of negative operating cash flows; the highly regulated nature of the cannabis industry; competition; intellectual property litigation; fast changing technology and consumer demands; uncertain market acceptance for the Company's products and services; the development and promotion of products and brands; dependence upon, and need for, key personnel; dependence on management; potential conflicts of interest; statutory and regulatory compliance; insurance coverage; operating losses and unlikely dividends; investments may be pre-revenue; lack of control over operations of investments; investments in private companies and illiquid assets; unfavourable perception or publicity; laws and regulations that are subject to unforeseen changes; risks associated with investments; operating licenses; litigation; regulatory or agency proceedings, investigations and audits; product liability claims; fraudulent or illegal activity by the Company's employees, contractors and consultants; currency fluctuations; the Company's ability to manage growth; perception of reputational risk from third-parties; an exchange on which the Company's shares are listed may initiate a delisting review; stock price volatility; sales by shareholders of a substantial number of Common Shares; dilution; no requirements to make representations relating to disclosure controls and procedures and internal control over financial reporting; unfavourable or lack of research and reports from research analysts; and other risks contained in the section entitled "*Risk Factors*" in this Prospectus and in the section entitled "*Risk Factors*" in the AIF.

Consequently, all forward-looking statements made in this Prospectus, and documents incorporated by reference into this Prospectus, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. Accordingly, readers should not place undue reliance on forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking information, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking information included in this Prospectus or the documents incorporated by reference herein if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

CURRENCY PRESENTATION

Unless otherwise indicated, all dollar amounts in this Prospectus are expressed in Canadian dollars, and references to "dollars" or "$" are to Canadian dollars. All references to "US$" are to United States dollars.

The following table sets forth, for each of the periods indicated: (i) the high and low daily exchange rates during each period; (ii) the average daily exchange rate for each period; and (iii) the period end daily exchange rate of United States dollars into Canadian dollars as quoted by the Bank of Canada.

	Year end June 30,		**Six months ended December 31,**	
	2018 ($)	**2017 ($)**	**2018 ($)**	**2017 ($)**
Low for the period	1.2128	1.2767	1.2128	1.2128
High for the period	1.3310	1.3743	1.2982	1.2982
Rate at the end of the period	1.3168	1.2977	1.2545	1.2545
Average rate for the period	1.2702	1.3260	1.2623	1.2623

The average daily exchange rate on March 22, 2019 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was US$1.00 equals $1.3411.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agent, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**") in effect on the date hereof, the Debentures and Warrants offered pursuant to this short form prospectus, and the Common Shares issuable pursuant to the 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 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: (A) in the case of the Debentures, on the date the Debentures offered pursuant to this Prospectus are issued, the Common 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 Common 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 Common Shares issuable pursuant to the Debentures and Warrants, on the date the Common Shares are issued, the Common Shares are listed on a designated stock exchange (as defined in the Tax Act), which currently includes the CSE.

Notwithstanding that the Debentures, Warrants and/or Common 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 Debentures, Warrants or Common Shares, as the case may be, are a "prohibited investment" within the meaning of the Tax Act. The Debentures, Warrants and Common 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 Common Share will also not be a "prohibited investment" if such Common 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.

Prospective investors who intend to hold Debentures, Warrants or Common Shares in a Registered Plan are advised to consult their personal tax advisors.

MARKETING MATERIALS

Any template of any "marketing materials" (as such term is defined under Canadian securities laws) that is utilized by the Agent in connection with the Offering, including the template versions of the Marketing Materials (as defined herein), does not form 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 the System for Electronic Document Analysis and Retrieval (www.sedar.com) ("**SEDAR**") before the termination of the distribution under the Offering (including any amendments to, or as amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus. See "*Documents Incorporated by Reference*".

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Prospective investors may read and download any public document Chemistree has filed with the various securities commissions or similar authorities in each of the provinces of Canada, other than

Québec, on SEDAR at www.sedar.com. Copies of the Company's documents incorporated by reference may be also obtained on request without charge from the Secretary of Chemistree by telephone: 604-678-8941 or by fax: 604-689-7442.

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

1) the annual information form of the Company for the year ended June 30, 2018 dated September 28, 2018 (the "**AIF**");

2) the audited annual consolidated financial statements of the Company as at and for the years ended June 30, 2018 and 2017, together with the notes thereto, and the independent auditor's report thereon (the "**Annual Financial Statements**");

3) management's discussion and analysis of financial condition and results of operations of the Company for the years ended June 30, 2018 and 2017 (the "**MD&A**");

4) the interim unaudited financial statements of the Company for the six months ended December 31, 2018, together with the notes thereto (the "**Interim Financial Statements**");

5) management's discussion and analysis of the financial condition and results of operations of the Company for the six months ended December 31, 2018 (the "**Interim MD&A**");

6) the management information circular of the Company dated September 17, 2018 regarding the annual general meeting of shareholders of the Company that was held on October 15, 2018;

7) the material change report dated July 10, 2018 regarding the increase to the Company's non-brokered private placement of units (the "**Private Placement**");

8) the material change report dated July 12, 2018 regarding the closing of the final tranche of the Private Placement;

9) the material change report dated July 24, 2018 regarding the change in the Company's business to an "Investment Issuer" under the policies of the CSE;

10) the material change report dated July 25, 2018 regarding the Company, through its indirect, wholly-owned Californian subsidiary, entering into the DHS Agreement (as defined herein);

11) the material change report dated August 9, 2018 regarding the closing of the DHS Acquisition (as defined herein);

12) the material change report dated October 16, 2018 regarding the announcement of the results of the Company's 2018 annual general meeting of shareholders;

13) the material change report dated November 27, 2018 regarding the Company entering into a strategic collaboration agreement (the "**Collaboration Agreement**") with a Humboldt County-based cannabis processing company (the "**Processor**") located in Arcata, California (the "**Arcata Investment**");

14) the material change report dated November 29, 2018 regarding the submission of the Conditional Use Permit application for the DHS Property (as defined herein);

15) the material change report dated December 4, 2018 regarding the announcement of significant developments in respect of the Sugarleaf brand;

16) the material change report dated December 6, 2018 regarding the acquisition of the Sugarleaf Rights (as defined herein) from Sugarleaf Farms LLC;

17) the material change report dated December 11, 2018 regarding an update respecting the Conditional Use Permit application for the DHS Property;

18) the material change report dated February 19, 2019 regarding CHM Desert (as defined below) being granted a Conditional Use Permit for the DHS Property; and

19) the template version of the marketing materials related to the Offering, as filed on February 1, 2019 (the "**Marketing Materials**").

Any document of the type referred to in section 11.1 of Form 44-101F1 - *Short Form Prospectus* filed by the Company with the securities regulatory authorities in Canada after the date of this Prospectus and prior to the completion or withdrawal of the distribution of the Debenture Units shall be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and the readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated herein by reference.

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

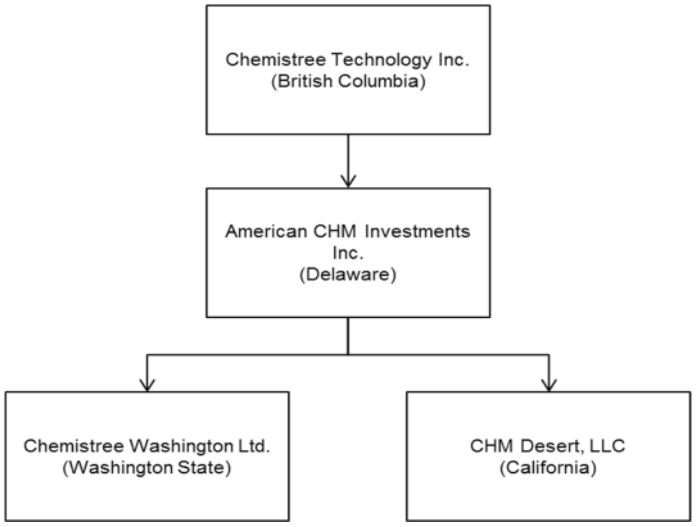
References to the Company's website in any documents that are incorporated by reference into this Prospectus do not incorporate by reference the information on such website into this Prospectus, and the Company disclaims any such incorporation by reference.

SUMMARY DESCRIPTION OF BUSINESS

Chemistree was incorporated in the Province of British Columbia on March 14, 2008 under the *Business Corporations Act* (British Columbia) ("**BCBCA**"). The name change to Chemistree Technology Inc. became effective August 3, 2017. The Company's registered office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, British Columbia, V7X 1L3, Canada and its head office is located at Suite 810, 690 Granville Street, Vancouver, British Columbia, V7Y 1G5, Canada.

On July 20, 2018, the Company requalified for a listing on the CSE following a change of business to an "investment issuer" on the CSE.

The Company has three wholly-owned subsidiaries. Effective October 17, 2017, the Company incorporated a wholly-owned subsidiary, Chemistree Washington Ltd. ("**Chemistree Washington**"), under the laws of Washington State. Effective July 17, 2018, the Company incorporated American CHM Investments Inc. under the laws of the State of Delaware. Effective July 18, 2018, the Company incorporated CHM Desert LLC ("**CHM Desert**") under the laws of the State of California. The following diagram presents the organizational chart of the Company:



Chemistree is focused on making investments or acquisitions in areas relating to the U.S. cannabis sector, focusing on providing turn-key solutions for the U.S. regulated cannabis industry, and branding, licensing and marketing strategies to existing participants. The Company's corporate strategy is to acquire and develop vertically integrated U.S. cannabis assets, leveraging management's decades of expertise in the cannabis and corporate finance industries to own and to, in the future, potentially operate licensed cultivation, processing, distribution and retail facilities throughout the United States.

Investment Business

Washington

On May 31, 2018, the Company entered into a definitive asset purchase agreement (the "**Washington Acquisition Agreement**") between the Company and Elite Holdings Inc. (the "**Washington Vendor**"), an arm's-length party, to acquire certain assets, including, but not limited to, all growing supplies, leases, software, furniture, systems, equipment, and lighting from the Washington Vendor (the "**Washington Assets**"). On June 29, 2018, the Company closed the Washington Acquisition. The Washington Acquisition did not include any receivables, payables, warranties, employees or tax liabilities of the Washington Vendor. The Washington Assets were comprised of certain equipment necessary for the holder of a Washington State Liquor and Cannabis Board (the "**WSLCB**") license to operate its business, including "mother room" equipment, clone room equipment, pre-vegetative equipment, vegetative room equipment, nutrients and other supplies, and quarantine room equipment. This equipment included advanced LED lights, fans, HVAC equipment, drying and packaging equipment, computer systems and other assets necessary for Chemistree Washington to provide a turn-key facility to an arm's length holder (the "**Strategic Partner**") of a WSLCB license.

Consideration for the Washington Assets was US$1,000,000 payable in cash, of which US$800,000 was paid upon closing of the Washington Acquisition with the remainder being paid in four equal installments, the last of which was paid on October 31, 2018. Notwithstanding the foregoing, US$540,000 of the consideration payable upon closing was placed into escrow and used to satisfy certain liabilities of the Washington Vendor relating to its accounts payable. All of the funds were released from escrow on or before November 1, 2018.

Following closing of the Washington Acquisition and receipt of approval from the WSLCB, Chemistree Washington expects to enter into agreements with a potential Strategic Partner, pursuant to which the Strategic Partner will sublease and license the Washington Assets from Chemistree Washington in order for the Strategic Partner to operate the "Sugarleaf" brand of retail cannabis products in Washington State. It is expected that the Strategic Partner will operate under the Washington State Tier 3 production and processing Licence No. 423406 acquired from Sugarleaf Farm LLC, along with any and all related brands, trademarks, websites, URLs, packaging, goods in process, and social media accounts. The Sugarleaf brand is an established cannabis brand within Washington State, and is currently sold

in approximately 125 retail locations. Chemistree has entered into an agreement with Sugarleaf Farms LLC to acquire the Sugarleaf Rights (as defined below) and is currently seeking to establish the Sugarleaf brand in California.

Chemistree does not have agreements in place with a Strategic Partner at this time, and there can be no assurance that any such agreements will be signed. Although such potential Strategic Partner has applied to the WSLCB, Chemistree cannot provide any guarantees that a Strategic Partner will obtain or maintain the WSLCB license or that it will be able to obtain or maintain any other permit, license, authorizations or accreditations required in connection with the Washington Assets or any other business in Washington. The Washington Assets that Chemistree has acquired may require normal course upgrades and management. On December 6, 2018, the Company announced that the Washington Assets has undergone significant infrastructure upgrades and design improvements.

The Company, through Chemistree Washington, intends to seek additional opportunities to invest in and develop real estate in the State of Washington for the purpose of serving licensed I-502 (as defined herein) production and processing businesses, among other investment opportunities.

In addition to providing specialized facilities to I-502 producers and processors, the Company may in the future seek to develop its own growing techniques, standard operating procedures and manufacturing practices to further assist license holders with their production and processing operations. The Company believes these services have the ability to create synergies and advantages that will provide significant and long-term revenue for the license-holder and, in turn, to the Company.

Management of the Company expects the Washington Acquisition to provide the Company with a platform to (if and when management identifies attractive opportunities) enter into, or make investments, in cannabis cultivation, production, processing, distribution and retail sales, while also allowing the Company to establish an investment portfolio of cannabis-related, and potentially non-cannabis related, real estate assets in Washington State.

California – DHS Property

Pursuant to a purchase agreement between CHM Desert and an arm's length vendor (the "**DHS Agreement**") dated July 25, 2018, Chemistree purchased (the "**DHS Acquisition**") 9.55 acres of fee simple vacant land in the City of Desert Hot Springs, California (the "**DHS Property**"). Consideration for the DHS Acquisition was US$1,233,800, payable in cash.

During fall 2018, the Company applied for a Conditional Use Permit from the City of Desert Hot Springs for the DHS Property. In accordance with applicable law, the Conditional Use Permit submission included the following fees, reports and plans: filing fee; notification package; title report; existing site plan; proposed site plan; conceptual grading and drainage plan; building plans; sign program plans; exterior lighting plan; site photographs; conceptual landscaping plan; art in public places program; copies of "Will Serve" letters from fire departments and all utility companies; and development agreement, deposit and application.

In February 2018, the Company obtained, through its wholly-owned subsidiary CHM Desert, the Conditional Use Permit, which allows for two greenhouse buildings totaling approximately 128,000 sq. ft., and an additional building of up to an additional 40,000 sq. ft. for processing, manufacturing and distribution of cannabis goods at the DHS Property. Fully constructed and licenses, the Company believes that a facility of this size could produce approximately 50,000 pounds of dried-cannabis flower per annum. Once fully licensed and constructed, the Company expects the DHS Property will have the capacity to process, manufacture and distribute a range of cannabis-related products. The total cost of obtaining the Conditional Use Permit, including the application submission to the City of Desert Hot Springs and responding to follow-up requests from the City of Desert Hot Springs was approximately $90,000.

California – Arcata Investment

On November 27, 2018, the Company entered into the Collaboration Agreement with the Processor in respect of the Arcata Investment. Pursuant to the Collaboration Agreement, the Company has agreed to loan the Processor US$450,000 (the "**Arcata Loan**") for the purposes of the expanding the Processor's business, including to, among other things, purchase additional equipment and complete tenant improvements to the Processor's facility. The

Company and the Processor also intend to negotiate and enter into an additional line of credit for purposes of the Processor's working capital, however no definitive documentation with regards thereto has been entered into and the Company cannot provide any assurance as to the completion, timing or terms thereof.

The Processor holds a "Type 6: Non-Volatile Solvent Extraction" license from the State of California, which allows for extraction using mechanical methods or non-volatile solvents. The Processor uses Apeks super critical CO2 extraction to produce cannabis oil, terpene profiles and other products on behalf of cannabis cultivators, other manufacturers and processors throughout northern California.

The Company expects to fund the Arcata Loan from its existing cash on hand. In consideration for benefits received by the Company under the Collaboration Agreement, the Company has agreed to issue 100,000 Common Shares to the Processor's principal, subject to receipt of certain licensing and approvals by the Processor.

The Company is currently working on establishing the Sugarleaf brand in California through its Arcata Investment, through contacts the Processor has with cannabis cultivators, manufacturers and processors in Northern California.

The Company can make no assurances in respect to the successful expansion of the Sugarleaf brand in California or the expansion of the Processor's facility pursuant to the Arcata Loan and the Collaboration Agreement.

Social Media Business

In 2017, Chemistree refocused its efforts on social media, branding, licensing and marketing technology. In addition to marketing events, brands and any other activities in the cannabis industry, the Company also seeks to provide cannabis industry participants with a suite of social media marketing services, as well as brand marketing, product marketing, and more general services like financing and corporate consulting. The Company believes the cannabis industry offers significant opportunity for growth because it is still in its infancy stages.

Chemistree's goals are to provide a strong, creative, content-rich social media presence, assist with tailored marketing efforts and work with client companies in the cannabis industry to best develop their brands through unique and creative graphic design.

The Company's social media business model seeks to be responsive and individualized for each client. Management of the Company believes strategic growth opportunities exist where the Company can add value to clients' existing initiatives in social media engagement, branding, and marketing. These opportunities may require long lead-times and extensive due diligence to understand the clients' needs and capacities. Each client has different needs, different markets to serve and different consumers to target.

The Company's principal geographical market is the U.S. Pacific Northwest, but the Company intends to expand into other jurisdictions as the Company finds opportunities that it deems favourable. Chemistree believes that the opportunities for growth in the various sectors surrounding the cannabis industry are significant; however, the Company can make no assurances as to: the identification of such opportunities or the timing thereof; the successful development of the Company's social media business; and the retention of current and new clients for its social media business.

Investment Policy and Procedures

The Company's investment objectives are to seek investment opportunities in the cannabis sector, initially in the U.S. Pacific Northwest and California and potentially other jurisdictions where cannabis-related activities are permitted, and to achieve an acceptable rate of return by focusing on opportunities with attractive risk to reward profiles. Investments by the Company are to be made in accordance with and are otherwise subject to the its investment policy (the "**Investment Policy**"), which may be amended from time to time at the sole discretion of the Company without shareholder approval, unless required by applicable laws or CSE policies. The key elements of the Investment Policy are summarized and included below.

The proposed investments will generally be companies in the cannabis sector, but may include a range including but not limited to service providers to the cannabis industry, to licensees, and to bare land packages for development. Preference will be given initially to the U.S. Pacific Northwest and California, but other jurisdictions, including potentially outside of North America, may be permissible depending on the risk-reward relationship associated with the particular jurisdiction, including legal and tax considerations.

The nature and timing of the Company's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time, and may include equity investments, cannabis streaming arrangements, secured or unsecured loans, asset acquisitions, bare land acquisitions, majority ownership, joint ventures and licensing arrangements, among others. All investments shall, to the best of the Company's abilities, be made in compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

From a procedure and implementation perspective, the senior officers and other management of the Company and the Company's board of directors (the "**Board**") and the respective members thereof will identify potential investment opportunities. These individuals have a broad range of business experience and their own networks of business partners, financiers, venture capitalists and finders through whom potential investments may be identified. In addition, Chemistree may identify potential investments through contacts and customers of its social media business.

Prospective investments will be channeled through management. Management will make an assessment of whether the proposal fits with the investment and corporate strategy of the Company in accordance with the Investment Policy, and then proceed with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of outside professional advisors or consultants.

Due diligence will include an analysis of the relevant industry, as well as the specific investment opportunity, its management team (where applicable), quality of assets and risks associated, including legal or regulatory risks, as applicable. All investments shall be submitted to the Board for final approval. The Board will be provided with a summary of the reasons for the investment decision and may include, among other things, the estimated return on investment, anticipated timeline of investment, milestones against which future progress can be measured, and risks associated with the investment.

The Company can make no assurances with respect to the successful implantation of its investment strategy, including the Company's ability to make investments in the cannabis sector and to turn a profit on any investments made.

Monitoring and Financial and Other Reporting

Management monitors the Company's investment portfolio on an ongoing basis and reports to the Board on the state of the investment portfolio on a regular basis.

In certain cases, Chemistree may require that investee companies provide status reports, including in relation to financial performance, to management on a periodic basis or require more activity monitoring. To assist with the monitoring of its investments in addition to observing each investment's financial performance, Chemistree may seek to appoint a director to the board of its investee companies or take a more active role in management where it deems it appropriate.

Types of Investments

The Company will be seeking a wide range of investments, including majority or minority equity investments, cannabis streaming arrangements, secured or unsecured loans, asset acquisitions, bare land acquisitions, majority ownership, joint ventures and licensing arrangements, among other forms of investment or alternative financing. The

form of investment will depend upon the specific circumstances of the investment, as well as management's review of the legal and regulatory risks relating to that investment and the jurisdictions where it operates.

Although management is looking to invest in structures that it believes are in compliance with applicable laws, there can be no assurance that applicable laws and regulations or interpretations or enforcement thereof will not change during the time in which Chemistree holds its investment. Accordingly, management will periodically evaluate the legal and regulatory risks of its investments and may, from time to time, seek to divest of certain investments prior to its originally anticipated investment period or to restructure its investments.

Chemistree may also from time to time offer additional services or management services to its investments or, in certain circumstances, may take an active role in operations of its investments. Other investments, such as licenses or assets or leases, such as with the Washington Acquisition, may take a more passive role.

RECENT DEVELOPMENTS

On July 11, 2018, the Company closed the final tranche of the Private Placement for gross proceeds of $1,949,365 and aggregate gross proceeds from the Private Placement of $4,509,184. The final tranche of the Private Placement was comprised of 5,569,613 units issued at $0.35 per unit, with each unit consisting of one Common Share and one Common Share purchase warrant. Each warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.50 per Common Share until July 11, 2020, subject to adjustment in certain events. Approximately $500,000 of the gross proceeds from the Private Placement were used to complete the acquisition of the Washington Assets.

On July 24, 2018, the Company completed its change of business and now operates as an Investment Issuer under the policies of the CSE.

On July 25, 2018, the Company entered into the DHS Agreement.

On August 9, 2018, the Company closed the DHS Acquisition.

On October 4, 2018, the Company announced a strategic investment in Pasha Brands Ltd. ("**Pasha**"). Pasha is a vertically integrated British Columbian craft cannabis brand company with several internationally recognized brands and a proven history in cannabis retailing. Pasha is also a late stage applicant to become a Licensed Producer ("**LP**") and expects to own and operate a Health Canada approved licensed processing facility on Vancouver Island. The investment in Pasha amounts to less than 10% of both Chemistree's working capital and the proceeds raised by Pasha pursuant to the private placement in which the Company participated as a strategic investor.

On October 16, 2018, the Company announced the results of its 2018 annual general meeting of shareholders held on October 15, 2018. At the meeting, Chemistree's shareholders elected or re-elected Justin Chorbajian, Karl Kottmeier, Douglas Ford and Sheldon Aberman as the directors of the Company.

On November 27, 2018, the Company announced the Arcata Investment and the Collaboration Agreement with the Processor.

On November 29, 2018, the Company announced that it has submitted an application to the City of Desert Hot Springs, California, requesting the receipt of the Conditional Use Permit in respect of the DHS Property.

On December 4, 2018, the Company announced that the Sugarleaf brand had grown 18 different strains of cannabis in rotation, including nine major strains in high production and nine minor strains in smaller batch production. The Company further announced that Sugarleaf Farm LLC is expected to soon launch its own line of cannabis oil-based products in a special edition Sugarleaf branded Vapor Slide V2. Lastly, the Company announced that the Washington Assets had undergone significant infrastructure upgrades and design improvements.

On December 6, 2018, the Company announced that it has entered into an agreement with Sugarleaf Farm LLC to acquire the global brand and marketing rights to the Sugarleaf brand (outside of Washington State) (the "**Sugarleaf**

Rights"). Chemistree is currently utilizing the Sugarleaf Rights to establish the Sugarleaf brand in California in connection with the Arcata Investment. See "*Summary Description of the Business – California – Arcata Investment"*.

On December 11, 2018, the Company provided an update on its Conditional Use Permit application in respect of the DHS Property. The Company announced that, due to a rework of its plans, the Company has identified savings of approximately $500,000 to the original project budget.

On February 19, 2019, the Company announced that it had, through its wholly-owned subsidiary CHM Desert, obtained a Conditional Use Permit for the DHS Property. The Conditional Use Permit allows for the construction of two greenhouse buildings totaling approximately 128,000 square feet, and an additional building of up to an additional 40,000 square feet for processing, manufacturing and distribution of cannabis goods.

REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved in the cannabis industry. The Company's wholly-owned subsidiaries, Chemistree Washington and CMH Desert LLC, are indirectly engaged, by providing turn-key facilities and branding services, in the manufacture, possession, use, sale or distribution of cannabis in Washington State and the State of California. None of Chemistree, Chemistree Washington or the Company's other subsidiaries are required to hold a permit, license or other regulatory approvals under applicable state cannabis laws, in order to operate the Company's business as conducted at present.

Regulation of Cannabis in the United States Federally

As of the January 16, 2018, the United States Supreme Court has ruled that the United States Congress has the power to regulate cannabis. The United States federal government regulates drugs through the CSA, which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule 1 drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." **The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.**

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the United States. State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical or recreational cannabis production and distribution by licensed or registered entities, under federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under the CSA. Although the Company's activities are compliant with applicable state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it be conclusive when developing a defense against any federal proceeding which may be brought against the Company. See "*Risk Factors*" in the AIF.

Compliance with Applicable State Law in the United States

The Company is classified as having an "indirect" involvement in the United States cannabis industry and is in compliance with applicable licensing requirements, to the extent required, and the regulatory framework enacted by Washington State and the State of California. The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted Washington State and the State of California which may have an impact on its business activities or operations.

The Company has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates.

In January 2018, United States Attorney General Jeff Sessions rescinded the memorandum issued on August 29, 2013,

by the United States Deputy Attorney General James M. Cole (the "**Cole Memorandum**"), governing federal prosecution of offenses related to marijuana in the United States, and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice. United States Attorney General Jeff Sessions resigned on November 7, 2018. As of his resignation, Matthew Whitaker is the acting U.S. Attorney General. It is unclear what impact this development will have on United States federal government enforcement policy. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in this Prospectus and the documents incorporated by reference herein, there are significant risks associated with the business of the Company. See "*Risk Factors*" in the AIF.

California Regulations

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

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" (the "**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" (the "**AUMA**") creating an adult-use marijuana program for adult-use 21 years of age or older. In June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (the "**MAUCRSA**"), which amalgamated the MCRSA and the AUMA to provide a set of regulations to govern the medical and adult-use licensing regime for cannabis businesses in the State of California. The MAUCRSA went into effect on January 1, 2018. The three agencies that regulate marijuana licensing at the state level are the Bureau of Cannabis Control, the California Department of Food and Agriculture, and the California Department of Public Health. The California Department of Tax and Fee Administration and other state departments provide ancillary regulatory oversight of marijuana businesses

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

In connection with the acquisition of the DHS Property, the Company retained legal counsel and other advisors in connection with California's marijuana regulatory program. The Company has and will only engage in transactions with California marijuana businesses that hold local and state licenses that are in good standing to cultivate, manufacture, possess, sell and/or distribute marijuana in California in compliance with California's marijuana regulatory program. Management believes the Company's ancillary involvement in the cannabis sector is in substantial compliance with the cannabis regulatory program of the State of California and the Company conducts itself in a manner consistent with United States federal and state enforcement priorities.

Washington Regulations

In November 2012, Initiative 502 ("**I-502**") passed pursuant to a vote by the people of the State of Washington. I-502 authorized the WSLCB to regulate and tax recreational cannabis products for persons over 21 years of age. The WSLCB issues three distinct license types: producers, processors, and retailers. Unlike other States, Washington's regulations include a ban on vertical integration. This prohibits any individual or entity from having an ownership interest in both a retail license and either a producer or processor license, although common ownership is allowed for a producer/processor. Within the classification of producers, the WSLCB issuers licenses within one of three tiers. Under the regulations, a Marijuana Producer Tier I is allowed to grow up to 2,000 square feet of dedicated plant

canopy, a Marijuana Producer Tier II is allowed to grow between 2,000 square feet and 10,000 square feet of dedicated plant canopy, and a Marijuana Producer Tier III is allowed to grow between 10,000 square feet and 30,000 square feet of dedicated plant canopy. A WSLCB-commissioned report by the RAND Company suggests that there are currently up to 700,000 recreational cannabis users in the State of Washington, worth approximately US$1.25 billion to US$1.5 billion in annual sales.

WSLCB regulation requires licensed operators and, in the case of a licensed entity, all individuals who have or seek to acquire and ownership interest in a licensee to be residents of Washington and to have lived in Washington for at least six months prior to applying. Chemistree, as a widely-held public company, is unable to satisfy this requirement and has not acquired a direct license under Washington's cannabis regulatory program to date. The Company endeavours to be a provider of turnkey facilities and licenses brands to state-licensed producer and processor licensees. Although Chemistree Washington will not hold a license issued by the WSLCB, the regulatory risks faced by the WSLCB-approved licensees may indirectly impact Chemistree Washington as a Strategic Partner may be unable to perform under agreements entered into with Chemistree Washington in the event of an actual or threatened loss of a license. Management believes the Company's ancillary involvement in the cannabis sector is in substantial compliance with Washington's cannabis regulatory program and the Company conducts itself in a manner consistent with United States federal and state enforcement priorities.

1. Application and Licensing

In the State of Washington, every individual with an ownership or equity interest, a right to receive a percentage of gross or net profits, or who exercises control over a licensed cannabis operator must apply for licensing with the WSLCB and be approved. Each applicant must be over 21 years of age and a Washington resident.

An applicant for WSLCB licensing (a "**WSLCB Applicant**") must provide the WSLCB with the WSLCB Applicant's organizational and operational documents, including the entity's operating agreement and a detailed operating plan, in order to verify that the proposed business meets the minimum requirements for licensing and has the capacity to meet the ongoing operational and regulatory demands of a licensee.

A WSLCB Applicant must provide the WSLCB with the applicant's financial statements and other personal background documentation necessary to verify the source of funds for the business, including any acquisition agreements and any agreements for the development of an operating cannabis business, as well as financial documents verifying the source of funds for all purchases of and material changes to the business. All capital contributions made to an existing licensee must also be approved by the WSLCB. A WSLCB Applicant must disclose any financiers that are providing funds to be used by the cannabis business, and such financiers, except banks and other financial institutions, are subject to a substantially similar application process through the WSCLB. Financiers need not be Washington residents, but must be United States residents and all shareholders of a financier, in the case of a business entity, must meet the same requirements.

A WSLCB Applicant must provide the WSLCB the WSLCB Applicant's and the WSLCB Applicant's spouse's personal and criminal history, including fingerprints for the submission of a criminal records background check with the Washington State Patrol and the United States Federal Bureau of Investigation. Conviction for certain serious crimes, or over a certain amount of convictions for more minor crimes, may disqualify a WSLCB Applicant from holding a WSLCB cannabis license.

The WSLCB is not currently accepting new license applications for producers, processors, or retailers. While it may reopen the application window for new applications if and when it deems necessary, the only current way to obtain one is to assume an existing license. Licensees are also limited to the number of licenses they can obtain. A single entity is limited to no more than three producer and/or processor licenses, or five retail licenses. Any change in the initial ownership of a cannabis entity must receive prior approval through the WSLCB, and is to undergo a review of the same rigor and breadth as an initial application.

2. Operations

A WSLCB Applicant must provide an operational plan that includes a detailed description of all applicable areas of: security; traceability; employee qualifications and training; transportation of product including packaging for transportation; destruction of waste product; description of growing operation including growing media, size of grow space allocated for plant production, space allocated for any other business activity, description of all equipment used in the production process, and a list of soil amendments, fertilizers, other crop production aids, or pesticides, utilized in the production process; description of the types of products to be processed with a complete description of all equipment including all cannabis infused edible processing facility equipment and solvents, gases, chemicals and other compounds used to create extracts and for processing of cannabis-infused products; testing procedures and protocols; employee compensation and benefits data; description of packaging and labeling of products; and the array of products which are to be sold and how the products are to be displayed to consumers.

Any significant change in the operational plan (e.g. adding volatiles processing capabilities, expanding the floorplan of the cannabis business, etc.) of a licensed cannabis entity must receive prior approval through the WSLCB, and undergoes a review of the same rigor and breadth or review as an initial application.

3. Inspections

The WSLCB sends an enforcement officer to inspect each proposed cannabis facility prior to granting approval to be authorized to begin cultivation, processing, or dispensing. Licensed operators must permit the WSLCB enforcement officers to inspect the premises, vehicles, records, and cannabis products at any time, and random inspections are conducted frequently by enforcement officers.

4. Security Requirements

The WSLCB requires all licensed operators, employees, and non-employee visitors other than retail customers to display an identification badge at all times on the premises. Each licensed operator must keep a log of all visitors other than retail customers to the premises.

All premises must have a security alarm system on all perimeter entry points and perimeter windows. All premises must have a complete video surveillance system with minimum required camera resolution and a surveillance system storage device or internet protocol storage compatibility that: (a) records continuously for 24 hour per day, (b) has cameras in fixed places that allow for the clear identification of persons and activities in the controlled areas of the premises, including grow rooms, processing rooms, storage rooms, disposal rooms/areas and point of sale rooms, (c) has the capability of recording clear images and displays the time and date of the recording, and (d) demonstrates a plan for retention of recordings for at least 45 days; and (e) provides outdoor lighting for outdoor cultivation.

5. Traceability and Inventory Tracking

Washington requires use of a seed-to-sale tracking system. Licensed operators must use an inventory control system that identifies and tracks the plant from the time it reaches a height of six inches through harvest, processing, packaging, wholesale, and retail sale. Licensed operators must also manifest and quarantine all cannabis to be delivered to another licensed operator or destroyed as waste for a period of at least 24 hours in order to allow for inspection by Washington State Liquor and Cannabis Board enforcement officers. Vehicles transporting cannabis must have: (a) a vehicle security system, including separate, secure, locking compartment to store any cannabis product; and (b) a transportation manifest reported through the seed-to-sale tracking system, including: (i) the departure time, (ii) the name, location, address and license number of the originating licensed operator, (iii) a quantity and form of product to be delivered, (iv) an estimated time of arrival, and (v) the name of the employee and identification of the vehicle delivering the product. Licensed operators must retain traceability records for three years and make records available upon request for inspection by the WSLCB or other law enforcement.

6. Pricing and Prohibited Practices

Cannabis products must be sold at a price indicative of true value. Licensed retailers may not sell cannabis products below the wholesale acquisition price of the product. Licensed cannabis producers and processors are prohibited from offering conditional sales, discounts, loans, rebates, free products, or any agreement that causes undue influence over another licensed operator. However, licensed producers and processers are allowed to provide licensed retailers certain promotional items of nominal value such as hats, mugs, etc.

7. Testing

The WSLCB requires quality assurance testing of each lot of final cannabis product be conducted by an independent, state certified, third-party testing laboratory with a statistically significant number of samples using acceptable methodologies to ensure that all lots of cannabis product manufactured are adequately assessed for contaminants and the cannabinoid profile is correctly labeled for consumers. The quality assurance tests required for cannabis flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

The results of the inspection and testing are submitted to the WSLCB through the traceability system. In conjunction with the Washington State Department of Agriculture, the WSLCB conducts random screening for pesticide residues. A particular lot of cannabis product may not move forward in processing, delivery, or sale without a passing test for that lot reported by the independent lab itself into the traceability system. All test results are required to be provided to retailers and/or end consumers upon request.

8. Packaging and Labelling

Each package containing cannabis or a cannabis product must have affixed a label including required warnings for all cannabis products and for the specific product type. The label must also include identifying information for the producer and retailer of the cannabis product. Each edible cannabis infused product must be packaged in child-safe packaging and contain 10 milligrams or less of active THC per serving. WSLCB licensed cannabis retailers must make testing results available to the customer upon request.

9. Advertising

The WSLCB limits advertising by licensee cannabis operators. Advertising in any form is prohibited within 1,000 feet of school grounds, playgrounds, recreation centers or facilities, childcare centers, public parks, libraries, or game arcades with unrestricted admission. Advertising is also prohibited on public transit vehicles or transit shelters, and on any publicly owned or operated property. Advertising visible from a public roadway may only contain the name, location, and nature of the business. No advertising may target youth or use objects likely to be appealing to youth. All advertising, including digital advertising, must include required warnings prescribed by regulation.

CONSOLIDATED CAPITALIZATION

Since December 31, 2018, the date of the Interim Financial Statements, there have been no material changes in the Company's consolidated capitalization other than as outlined in the below table and under the heading "*Prior Sales*" in this Prospectus. The following table sets forth the consolidated capitalization of the Company as at the December 31, 2018 and as at December 31, 2018, after giving effect to the Offering and Concurrent Private Placement, but without giving effect to the Over-Allotment Option. The following table should be read in conjunction with the notes below the table, the Financial Statements, the MD&A, the Interim Financial Statements and the Interim MD&A incorporated by reference in this Prospectus:

	As at December 31, 2018	**As at December 31, 2018, after giving effect to the Offering and Concurrent Private Placement[(1)(2)(3)]**
Share Capital	15,670,956	15,670,956
Common Shares	34,233,589	34,233,589
Stock Options	1,350,000	1,350,000
Warrants	13,568,596	34,140,596
Debentures	Nil	9,600

(1) After deducting the Agent's Fee and the estimated expenses of the Offering of $250,000, but before deducting the Fiscal Advisory Fee, Corporate Finance Fee or Finder's Fee or the expenses of the Concurrent Private Placement.

(2) Assuming the Offering is fully subscribed with no exercise of the Over-Allotment Option. See "*Plan of Distribution*".

(3) Assumes that 1,400 Private Placement Units are issued pursuant to the Concurrent Private Placement.

USE OF PROCEEDS

The estimated net proceeds to the Company from this Offering and Concurrent Private Placement, assuming that the Offering and the Concurrent Private Placement are each fully-subscribed, after deducting, no expenses in connection with the Concurrent Private Placement, the Agent's fee of $574,000 ($660,100 if the Over-Allotment Option is exercised in full), the portion of the Corporate Finance Fee payable in cash on the Closing Date, being $75,000, the total of the Fiscal Advisory Fee and Finder's Fees payable in connection with the Concurrent Private Placement being $98,000 and the estimated expenses of this Offering of $250,000, will be $8,603,000 (or $9,746,900 if the Over-Allotment Option is exercised in full). During the fiscal year ended June 30, 2018, the Company had negative cash flow from operating activities. As of February 28, 2019, the Company's working capital was approximately $200,000.

The Company intends to use the net proceeds as follows:

Use of Proceeds	**Allocated ($)**
Washington facilities expansion	
Extraction and processing lab, to increase production facility space from 5,000 sq. ft to 10,000 sq. ft indoors	675,000
California brand expansion	

Funding loan to Processor for Processor's acquisitions of cannabis biomass, and processing of products, launch "Sugarleaf" branded products	600,000
DHS Land development Phase 1	
Complete land entitlement, State License, permitting, technical drawings	205,000
DHS Land development Phase 2	
Site works and installation of infrastructure, including installation of sewer lines, paving, utility connections, fire lines, storm drains and site grading	4,725,000
Working capital and future investment opportunities, as identified by the Company from time to time	2,398,000
Total:	8,603,000

The Company has determined that its business objectives in the forthcoming 12-month period are to: (i) continue pursuing acquisitions of vertically integrating assets within the cannabis industry throughout U.S. Pacific Northwest, California or other jurisdictions where favourable opportunities arise, the timing and costs of which will depend on the availability and types of acquisition opportunities available to the Company from time to time; (ii) optimize the Washington Assets through an expansion of the facilities, presently estimated to cost approximately US$500,000 and targeted for completion in or about August 2019, and the entry into a license agreement and sub-lease with a Strategic Partner who will operate the assets, which is currently expected to occur in or about May 2019; (iii) expand the asset base of the Company through direct investment and or mergers and acquisitions, the timing and costs of which will depend upon the asset investment and merger and acquisition targets presented to the Company from time to time and the attractiveness of those opportunities, relative to other opportunities available to the Company in the determination of management; (iv) continue the licensing, developing and permitting the build-out of the DHS lands for cultivation and processing, with Phase 1 expected to be completed in or about May 2019 at an estimated cost of US$150,000; (v) commence the Phase 2 site works and installation of infrastructure, including installation of sewer lines, paving, utility connections, fire lines, storm drains and site grading at the DHS lands in advance of greenhouse and ancillary building construction to be completed in or about the third quarter of calendar year 2019 with an estimated capital expenditures of approximately US$3.5 million; and (vi) continue to develop the social media investment's client base in the U.S. Pacific Northwest, by: (a) continuing to focus on social media work for its clients initiating, supporting and expanding opt-in communities of consumers and interested parties through the normal social media channels such as the various client company web sites, Twitter, Facebook and Instagram feeds as well, and (b) developing brands for production and sale for its client companies, including identifying various new product lines, providing creative input via art work and graphic design for those various products, consulting on packing and retail marketing campaigns as well as general industry consulting and market intelligence.

While the Company currently anticipates that it will use the net proceeds of the Offering and the Concurrent Private Placement as set forth above, the Company may re-allocate the net proceeds of the Offering and the Concurrent Private Placement, as applicable from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. Consistent with the high level of activity in the sector, Chemistree has discussed various potential strategic transactions. At the present time, there is insufficient information to provide with respect to potential transactions. The Company intends to continue to monitor industry developments and may have further discussions in respect of strategic transactions in the future, but the Company can offer no assurance that any transaction would result from any such future discussions. Until utilized, the net proceeds of the Offering and the Concurrent Private Placement will be held in cash balances in the Company's bank account or invested at the discretion of the Board of Directors, in short-term, high quality, interest bearing corporate, government-issued or government-guaranteed securities. Management will have discretion concerning the use of the net proceeds of the Offering and the Concurrent Private Placement, as well as the timing of their expenditure. See "*Risk Factors*".

The Company currently has negative operating cash flow and it is expected that a portion of the net proceeds from the Offering and the Concurrent Private Placement may be used to fund such negative operating cash flow. See "*Risk Factors- Negative Operating Cash Flow*".

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Company will engage the Agent as its agent to offer for sale to the public on a "best efforts" basis, and the Company will agree to issue and sell, on the Closing Date, up to 8,200 Debenture Units at the Offering Price. The terms of the Offering were established in the context of the market and through arm's-length negotiations between the Company and the Agent.

The Company has granted to the Agent the Over-Allotment Option, exercisable from time to time, in whole or in part, at the sole discretion of the Agent, at any time within 30 days after the Closing Date, to purchase up to an additional 15% of the number of Debenture Units sold pursuant to the Offering on the same terms and conditions as the Offering, for the purpose of covering over-allotments that exist on the Closing Date, if any, and for market-stabilization purposes. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Units on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Units forming part of the Agent's over-allotment position acquires those Additional 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. If the Agent exercise the Over-Allotment Option in full, the total price to the public, Agent's Fee and net proceeds to the Company, before deducting the estimated expenses of the Offering of $250,000, the Corporate Finance Fee and the Fiscal Advisory Fee, will be $9,430,000, $660,100 and $8,769,900, respectively.

Pursuant to the Agency Agreement, the Agent will receive a commission equal to 7% of the gross proceeds of the Offering for an aggregate commission of up to $660,100 (assuming the sale of all Debenture Units and the full exercise of the Over-Allotment Option). As additional consideration for the services rendered in connection with the Offering, the Company has agreed to: (a) pay the Agent the Corporate Finance Fee; (b) issue to the Agent, Broker Warrants to purchase such number of Broker Units as is equal to 7% of the number of Debenture Shares issuable upon conversion of the Debentures sold under the Offering, based on a Conversion Price of $0.50 per Debenture Share; and (c) pay the Agent the Fiscal Advisory Fee and issue to the Agent the Fiscal Broker Warrants. The Company will also pay certain expenses incurred by the Agent in connection with the Offering as set forth in the Agency Agreement.

The Company has agreed to indemnify the Agent, its affiliates and their respective directors, officers, employees and shareholders against certain liabilities and expenses or will contribute to payments that the Agent may be required to make in respect thereof. The Agency Agreement will provide that the obligations of the Agent under the Agency agreement may be terminated by the Agent on the basis of a "material change", "disaster out", "market out", "regulatory out" and "due diligence out" and may also be terminated upon the occurrence of certain stated events. The Agent is not obligated, directly or indirectly, to advance its own funds to purchase any of the Debenture Units.

No action has been taken in any jurisdiction by the Company or the Agent that would permit a public offering of the Debenture Units, other than in each of the provinces of Canada, other than Québec. No offer or sale of the Debenture Units may be made in any jurisdiction except in compliance with the applicable laws thereof. Persons receiving this Prospectus are responsible for informing themselves about and observing any restrictions as to the Offering and the distribution of this Prospectus.

Subscriptions for the 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. It is anticipated that the Debenture Units, Debentures and Warrants will be delivered under the book-based system through CDS or its nominee and deposited in registered or electronic form with CDS on the Closing Date, or such other date as may be agreed upon by the Company and the Agent, provided that the Debenture Units are to be taken up by the Agent on or before the date that is not later than 42 days after the date of the receipt for the final short form prospectus relating to the Offering. Except in limited circumstances, a purchaser of Debenture Units will receive only a customer confirmation from the registered dealer through which the Debenture Units are purchased. No certificates evidencing the Debentures and Warrants comprising the Debenture Units will be issued to investors except in limited circumstances.

Pursuant to the rules and policy statements of certain Canadian securities regulators, the Agent may not, at any time during the period ending on the date that the selling process for the Debenture Units ends and all stabilization arrangements relating to the Debenture Units are terminated, bid for or purchase Common Shares. The foregoing restrictions are subject to certain exceptions including: (i) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the CSE in accordance with the Universal Market Integrity Rules of the

Investment Industry Regulatory Organization of Canada; (ii) 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 Agent or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period; and (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period.

In connection with the Offering, the Agent may effect transactions that maintain the market price of the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Debenture Units, the Debentures, the Warrants, the Debenture Unit Shares and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and, subject to registration under the U.S. Securities Act and applicable U.S. state securities laws or certain exemptions therefrom, may not be offered, sold, transferred, delivered or otherwise disposed of, directly or indirectly, to or for the account or benefit of, persons within the United States or a U.S. Persons. Except as permitted in the Agency Agreement and as expressly permitted by applicable laws of the United States, the Agent will not offer, sell or deliver the Debenture Units to, or for the account or benefit of, persons in the United States or to U.S. Persons. The Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares 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 at the time of exercise.

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

The Debenture Units will be offered in each of the provinces of Canada, other than Québec, through the Agent or its affiliates who are registered to offer the Debenture Units for sale in such provinces and such other registered dealers as may be designated by the Agent.

The Agent has reserved the right to form a selling group of appropriately registered dealer and brokers, with compensation to be negotiated between the Agent and such selling group participants, but at no additional cost to the Company.

The Offering Price and other terms of the Offering, including the number of Warrants forming part of each Debenture Unit, the Conversion Price, and the exercise price of each Warrant Share, were determined based on arm's length negotiations between the Company and Canaccord. Among the factors considered in determining the Offering Price were the market price of the Common Shares, prevailing market conditions, the historical performance and capital structure of the Company, Canaccord's estimates of the business potential of the Company, the availability of comparable investments, an overall assessment of management of the Company and the consideration of the foregoing factors in relation to market valuation of companies in related businesses.

Pursuant to the Agency Agreement, the Company has agreed, for the period of 90 days following the Closing Date, not to, without the prior written consent of Canaccord, such consent not to be unreasonably withheld, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements, provided such stock options and other similar issuances are not granted or issued with an exercise price that is less than the market price; (ii) the exercise of outstanding warrants; (iii) obligations of the Company in respect of existing agreements; or (iv) the issuance of securities by the Company in connection with acquisitions in the normal course of business.

The Company has also agreed to cause each of the Company's senior officers and directors and any of their affiliates to enter into a lock-up undertaking in favour of the Agent, in the form agreed upon by the Company and the Agent, pursuant to which such person shall agree not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of Canaccord, such consent not to be unreasonably withheld, other than in order to accept a bona fide take-over bid made to all securityholders of the Company or similar business combination transaction.

If the Offering is not completed because of an Alternative Transaction (as defined herein) which is entered into by the Company or any of its shareholders within 12 months after the termination or purported termination of the Agency Agreement, the Company has agreed to pay to Canaccord a fee equal to 50% of the Agent's Fee contemplated therein (assuming the completion of the maximum offering of $8,200,000) together with all of the Agent's expenses and disbursements incurred to the date of such agreement or transaction.

For purposes thereof, an "**Alternative Transaction**" means any transaction by the Company or its principal shareholders which prevents the completion of the Offering, including the issuance of equity securities of the Company in excess of 5% of the total value or number of securities outstanding on a fully-diluted basis as of November 21, 2018, or a business transaction involving the control of the Company or any material subsidiary thereof, including a merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture, sale of all or substantially all of the assets, exchange of assets or similar transactions.

Upon closing of the Offering, the Company has agreed to grant Canaccord the exclusive right and opportunity to lead manage any subsequent brokered offering of securities of the Company in Canada, by private placement or public offering, or to provide professional, sponsorship or advisory services performed (or normally performed) by a broker or investment dealer, for a period of one year following the Closing Date, with a minimum of 70% of any syndicate to be formed in respect thereof. Should the Company receive a specific offer in connection with a subsequent brokered financing in Canada or advisory transaction from another broker/dealer during that period, the Company shall immediately advise Canaccord of the terms and conditions thereof and Canaccord shall have five business days to exercise its right of first refusal to act as lead manager or as financial advisor, as the case may be, on the same terms and conditions as contemplated therein.

The Company has applied to list the Warrants and Underlying Securities on the CSE. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE.

There is no minimum amount of funds that must be raised under the Offering. This means that the Company could complete the Offering after raising only a small proportion of the Offering set out above.

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

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the "Prospectus Directive" (each, a "**relevant member state**"), other than Germany, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the "**relevant implementation date**"), an offer of the Debenture Units described in this Prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the Debenture Units that has been approved by the competent authority in that relevant member state and published in accordance with the Prospectus Directive as implemented in the relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and

including the relevant implementation date, an offer of Debenture Units may be made to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Agent; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Debenture Units will result in the requirement of the publication by the Company or any Agent of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive. Each purchaser of Debenture Units described in this Prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this notice, the expression an "offer to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Offering and the Debenture Units to be offered so as to enable an investor to decide to purchase or subscribe for the Debenture Units, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto).

The Company has not authorized and does not authorize the making of any offer of the Debenture Units through any financial intermediary on its behalf, other than offers made by the Agent with a view to the final placement of the Debenture Units as contemplated in this Prospectus. Accordingly, no purchaser of the Debenture Units, other than the Agent, is authorized to make any further offer of the Debenture Units in any relevant member state on behalf of the Company or the Agent.

Notice to Prospective Investors in Switzerland

The Debenture Units may not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland and neither this Prospectus nor any other solicitation for investments in the Debenture Units may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This Prospectus may not be copied, reproduced, distributed or passed on to others without the Agent prior written consent. This Prospectus is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss Exchange and may not comply with the information standards required thereunder. The Debenture Units will not be listed on any Swiss stock exchange or other Swiss regulated market and this Prospectus may not comply with the information required under the relevant listing rules. The Debenture Units offered hereby have not been registered with the Swiss Federal Banking Commission and have not been authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994 does not extend to acquirers of the Debenture Units.

Notice to Prospective Investors in Germany

This Prospectus has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (Wertpapierprospektgesetz), the German Sales Prospectus Act (Verkaufsprospektgesetz), or the German Investment Act (Investmentgesetz). Neither the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht-BaFin) nor any other German authority has been notified of the intention to distribute the Debenture Units in Germany. Consequently, the Debenture Units may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this Prospectus and any other document relating to the Offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Debenture Units to the public in Germany or any other means of public marketing. The Debenture Units are being

offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This Prospectus is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

The Offering does not constitute an offer to sell or the solicitation or an offer to buy the Debenture Units in any circumstances in which such offer or solicitation is unlawful.

CONCURRENT PRIVATE PLACEMENT

In conjunction with the Offering, the Company intends to complete, on a private placement basis, a non-brokered offering of 1,400 Private Placement Units at the Offering Price which is expected to close on the Closing Date. Closing of the Concurrent Private Placement is conditional upon the closing of the Offering.

The Company has agreed to pay certain finders (each, a "**Finder**"), in connection with the Concurrent Private Placement: (i) a cash commission equal to 7.0% of the gross proceeds received from investors introduced by such Finder to the Company in respect of any Private Placement Units issued to such investors under the Concurrent Private Placement, and (ii) issue to each Finder such number of Broker Warrants (the "**Private Placement Warrants**") as is equal to 7.0% of the number of Debenture Shares that would be issued assuming the conversion of 100% of the Debentures making up the Private Placement Units sold to investors introduced by such Finder to the Company under the Concurrent Private Placement, at the initial Conversion Price. This Prospectus does not qualify the distribution of the Private Placement Units and the Private Placement Warrants, or the securities issuable thereunder.

The Private Placement Units and the Private Placement Warrants, and the securities issuable thereunder, will be subject to a statutory hold period. Completion of the Concurrent Private Placement is subject to a number of conditions, including the approval of the CSE.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agent, the following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires as beneficial owner the Debentures and Warrants comprising the Debenture Units and Common Shares either pursuant to such Warrants (a "**Warrant Share**") or on the conversion, redemption or maturity of such Debentures (a "**Debenture Share**") (for the purposes of this section, collectively, the "**Subject Securities**") and who, for purposes of the Tax Act and at all relevant times, (i) holds the Subject Securities as capital property, (ii) deals at arm's length with the Company, the Agent, and any person that such holder subsequently sells or otherwise transfers Subject Securities to, and (iii) is not affiliated with the Company, the Agent, 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 (or a corporation that does not deal at arm's length, for purposes of the Tax Act, with a corporation resident in Canada) and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Debenture Units, controlled by a non-resident person, or a group of non-resident persons not dealing with each other at arm's length, for purposes of 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.**

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 (Canada) prior to the date hereof (the "**Proposed Amendments**") (except as described below) 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 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 $980 to each Debenture and $20 to the 2,000 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 (determined immediately before the acquisition of the Warrant Share) to the Holder of all Common 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 Debentures or Common Shares who might not otherwise be considered to hold their Debentures or Common Shares as capital property may, in certain circumstances, be entitled to have the Debentures and Common Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such 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 Debentures

Taxation of Interest on Debentures

A Canadian Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will generally be required to include in computing its income for a taxation year any interest on the 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 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 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 Debenture or 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.

It is likely that the portion of the purchase price that is allocated to a Debenture will be less than the principal amount of the Debenture. Such allocation may increase a Canadian Holder's capital gain (or reduce its capital loss) on the disposition of the Debenture, including on repayment, redemption or conversion. Alternatively, the Canadian Holder may be required to include in its income, an additional amount equal to the difference between the portion of the purchase price allocated to the Debenture and its principal amount ("**Discount**") either in one or more taxation years in which the Discount accrues or in a taxation year in which the Discount is received or receivable by the Canadian Holder. Canadian Holders should consult their own tax advisors in this regard.

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 on its "aggregate investment income", which is defined in the Tax Act to include interest income.

Exercise of the Conversion Privilege – Debentures

Generally, a Canadian Holder that converts a Debenture into Debenture Shares pursuant to its right of conversion under the terms of the 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 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 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 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 Debenture will generally be equal to the aggregate of the adjusted cost base to the Canadian Holder of the 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 on the conversion of a Debenture must be averaged with the adjusted cost base (determined immediately before the conversion) of all other Common Shares owned by the Canadian Holder as capital property at the time of the conversion of the Debenture to determine the Canadian Holder's adjusted cost base of all such Common Shares held.

Upon conversion of a 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 Debentures - Taxation of Interest on 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 Debentures

A Canadian Holder that disposes of (or is deemed to have disposed of) a Debenture (including due to a redemption, payment of the Debenture on maturity or purchase of the Debenture for cancellation, but not including conversion of a 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 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 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 Common Shares - Taxation of Capital Gains and Capital Losses*".

Upon a disposition (or deemed disposition) of a Debenture by a Canadian Holder, the Canadian Holder will be required to include in computing income the amount of interest accrued on the 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 Debenture as described above.

If the Company pays any amount upon a Mandatory Conversion (or in other situations, but not including by the conversion of a Debenture into Debenture Shares pursuant to the Canadian Holder's conversion privilege as described above), the Canadian Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except consideration received in satisfaction of accrued interest). The cost to the Canadian Holder of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Canadian Holder of Common Shares acquired at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common 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 Common 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 Common Shares - Taxation of Capital Gains and Capital Losses*".

Taxation of Canadian Holders of Common Shares

Dividends on Common Shares

Dividends received or deemed to be received on Common 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". There may be limitations on the ability of the Company to designate dividends 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 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. In certain circumstances, subsection

55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Canadian Holder that is a corporation as proceeds of disposition or a capital gain. Canadian Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

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 on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Canadian Holder's taxable income for the year.

Disposition of Common Shares

A disposition (or a deemed disposition) of a Common Share by a Canadian Holder (other than to the Company, unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market) 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 Common 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 Common 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 Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common 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 Common 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 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 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, or in the course of carrying on, a business carried on in Canada, (iii) is entitled to receive all payments (including all principal and interest) made on a Debenture, (iv) deals at arm's length with any person or partnership who is a resident or deemed to be a resident in Canada to whom the Holder assigns or otherwise transfers a Debenture, (v) is not a person who carries on an insurance business in Canada and elsewhere; (vi) is not an "authorized foreign bank" (as defined in the Tax Act), and (vii) is neither a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of the Company nor a person who does not deal at arm's length with a specified shareholder of the Company (a "**Non-Canadian Holder**").

Taxation of Non-Canadian Holders of Debentures

Taxation of Interest on Debentures

A Non-Canadian Holder will generally 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, on account or in lieu of payment of, or in satisfaction of, interest or principal on the Debentures. See "*Risk Factors – Risks Related to the Debentures - Withholding and Participating Debt Interest*".

Exercise of the Conversion Privilege

Generally, a Non-Canadian Holder that converts a Debenture into Debenture Shares pursuant to its right of conversion under the terms of the 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 Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) upon such conversion.

On a conversion by a Non-Canadian Holder of a Debenture pursuant to its right of conversion under the terms of the Debenture in exchange for Debenture Shares and cash in lieu of a fraction of a Debenture Share, if such Debenture Shares constitute "taxable Canadian property" to the Non-Canadian Holder, as discussed below, and if the value of such cash does not exceed $200, under current administrative practice of the CRA, the Non-Canadian Holder may either treat this amount as proceeds and report a gain or loss and pay tax in Canada subject to relief under the applicable tax treaty or convention, or reduce, by the amount of cash received, the adjusted cost base of such Debenture Shares received.

Upon the conversion of a Debenture into Debenture Shares, any payment representing interest accrued from the date of the last payment of interest to the date of conversion, or any deemed payment of interest, will be subject to the Canadian federal income tax considerations described above under "*Holders Not Resident in Canada – Taxation of Non-Canadian Holders of Debentures – Taxation of Interest on Debentures*".

Other Disposition of Debentures

On the disposition (or deemed disposition) of a Debenture (otherwise than on the conversion of a 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 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.

Generally, provided the Common Shares are listed on a designated stock exchange (which currently includes the CSE) at the time of the disposition of a Debenture, the Debenture will not constitute taxable Canadian property of a Non-Canadian Holder at such time unless, at any time during the 60-month period immediately preceding the disposition of the Debenture, the following conditions are satisfied concurrently (the "**TCP Conditions**"): (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 Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), and options in respect of, or interests in or for civil law rights in, any such properties whether or not the properties exist.

A Non-Canadian Holder contemplating a disposition of Debentures that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

Even if a Debenture is "taxable Canadian property" to a Non-Canadian Holder, such Non-Canadian Holder may be exempt from tax under the Tax Act on the disposition of such Debenture by virtue of an applicable income tax treaty or convention. Non-Canadian Holders whose Debenture constitute "taxable Canadian property" should consult their own tax advisors in this regard.

If a Debenture is "taxable Canadian property" to a Non-Canadian Holder and such Non-Canadian Holder is not exempt from tax under the Tax Act in respect of the disposition of such Debenture pursuant to an applicable income tax treaty or convention, the tax consequences as described above under the headings *"Holders Resident in Canada – Taxation of Canadian Holders of Debentures – Other Dispositions of Debentures"*, and *"Holders Resident in Canada – Taxation of Canadian Holders of Common Shares – Taxation of Capital Gains and Capital Losses"* will generally apply.

Taxation of Non-Canadian Holders of Warrant

Dispositions of Warrants

On a disposition of a Warrant (including the expiry thereof but 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.

Generally, provided the Common Shares are listed on a designated stock exchange (which currently includes the CSE) at the time of the disposition of a Warrant, the Warrant will not constitute taxable Canadian property of a Non-Canadian Holder at such time unless, at any time during the 60-month period immediately preceding the disposition of the Warrant, the TCP Conditions (described above) are met.

A Non-Canadian Holder that disposes of, or is deemed to have disposed of, a Warrant that constitutes "taxable Canadian property" will generally be subject to the same tax consequences described above under *"Holders Not Resident in Canada – Taxation of Non-Canadian Holders of Debentures – Other Dispositions of Debentures"*.

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 Common Shares

Dividends on Common Shares

Any dividends paid or credited, or deemed to be paid or credited, on the Common 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 Common 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 Common Share issuable pursuant to the terms of the Warrants or the Debentures, unless the Common 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.

Generally, provided the Common Shares are listed on a designated stock exchange (which currently includes the CSE) at the time of the disposition of a Common Share, the Common Shares will not constitute taxable Canadian property of a Non-Canadian Holder at such time unless, at any time during the 60-month period immediately preceding the disposition of the Common Share, the TCP Conditions (described above) are met. A Common Share may also be deemed to be taxable Canadian property in certain other circumstances.

A Non-Canadian Holder that disposes of, or is deemed to have disposed of, a Common Share that constitutes "taxable Canadian property" will generally be subject to the same tax consequences described above under "*Holders Not Resident in Canada – Taxation of Non-Canadian Holders of Debentures – Other Dispositions of Debentures*".

A Non-Canadian Holder contemplating a disposition of Common Shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

EARNINGS COVERAGE RATIOS

The following earnings coverages and adjusted earnings coverages are calculated on a consolidated basis for the year ended June 30, 2018 and the six months ended December 31, 2018 and are derived from the Annual Financial Statements and the Interim Financial Statements, incorporated by reference in this Prospectus.

The Company's interest requirements amounted to $14,707 and $9,578 for the year ended June 30, 2018 and the six months ended December 31, 2018, respectively. The Company's losses before interest expense and income tax expense were $723,768 and $1,361,107 for the year ended June 30, 2018 and the six months ended December 31, 2018, Accordingly, the Company had deficient earnings coverage ratios of approximately 49.2 and 142.1 for the fiscal year ended June 30, 2018 and the six months ended December 31, 2018, respectively.

The Company's *pro forma* interest requirements, after giving effect to the issue of the Debentures pursuant to the Offering and the Concurrent Private Placement (assuming the issuance of the maximum number of Debenture Units, excluding any exercise, in whole or in part, of the Over-Allotment Option, and the issuance of 1,400 Private Placement Units) would have been $974,707 and $489,578 for the year ended June 30, 2018 and the six months ended December 31, 2018, respectively. Accordingly, after giving effect to the Offering and the Concurrent Private Placement (assuming the issuance of the maximum number of Debenture Units, excluding any exercise, in whole or in part, of the Over-Allotment Option, and the issuance of 1,400 Private Placement Units), the Company would have had deficient earnings coverage ratios of approximately 0.743 and 2.780 for the fiscal year ended June 30, 2018 and the six months ended December 31, 2018, respectively.

The Company would have required additional earnings before interest expense and income tax of approximately $1,698,475 for the year ended June 30, 2018 and approximately $1,850,685 for the six months ended December 31, 2018 to achieve coverage ratios of one to one.

These coverage ratios reflect historical earnings adjusted for the net impact of interest on the Debentures, as noted. Under International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board, a portion of the Debentures will be classified on the balance sheet 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 THE SECURITIES BEING DISTRIBUTED

The Offering consists of Debenture Units at the Offering Price of $1,000 per Debenture Unit. Each Debenture Unit consists of one Debenture and 2,000 Warrants. Each Warrant will entitle the Warrantholder to acquire one Warrant Share upon payment of an exercise price of $0.70 per share for a period of 36 months from the Closing Date, subject to adjustment in certain events. The Debenture Units will separate into Debentures and Warrants immediately upon issuance.

Debentures

The following is a summary of the material attributes and characteristics of the 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, which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com.

General

The Debentures will be issued under the Debenture Indenture. Odyssey will act as the trustee under the Debenture Indenture, and is also the Company's transfer agent and registrar.

Pursuant to the Offering, the Company will issue Debentures up to an aggregate principal amount of up to $8,200,000. The Company may, from time to time, without the consent of the Debentureholders, issue additional debentures of a same or different series under the Debenture Indenture, in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date and will mature three years thereafter, regardless of any exercise of the Over-Allotment Option. The Debentures will be issuable only in denominations of $1,000 and multiples thereof and will bear interest from and including the date of issue at 10% per annum, which will be payable in cash, semi-annually in arrears on June 30 and December 31 of each year, commencing on June 30, 2019. The first interest payment will include interest accrued from the Closing Date to, but excluding, June 30, 2019. Assuming the Closing Date occurs on March 29, 2019, the first interest payment payable on June 30, 2019 will be in the amount of $25.56 per $1,000 principal amount of Debentures and each subsequent interest payment will be in the amount of $50 per $1,000 principal amount of Debentures. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

Payment

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

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 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 Debentures is limited solely and exclusively to making payment of any interest and principal due on such Debenture to CDS or its nominee. If a certificate evidencing the Debentures (a "**Debenture Certificate**") is issued instead of or in place of the Debentures, payments of interest on each Debenture Certificate will be made by electronic funds transfer, if agreed to by the holder of the Debenture Certificate, or by cheque dated the applicable Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Debentures, at the close of business on the last business day of the month preceding the month of the applicable Interest Payment Date.

Conversion Privilege

The Debentures will be convertible, at no additional consideration, at the option of the Debentureholder into Debenture Shares any time prior to the close of business on the earlier of: (i) the business day immediately preceding the maturity date; and (ii) the business day immediately preceding the date specified for redemption of the Debentures upon a Change of Control, at the Conversion Price, subject to forced conversion in certain circumstances. The Conversion Price may be adjusted upon the occurrence of certain events. No fraction of a Debenture Share will be issued upon

conversion of the Debentures. Notwithstanding the foregoing, no Debentures may be converted on an Interest Payment Date or during the five business days preceding each Interest Payment Date.

Mandatory Conversion

The Company may force the conversion of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the CSE be equal to or greater than $1.00 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 Debentures at that time.

Conversion Adjustments

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 Common Shares; (ii) the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or other distribution to all or substantially all holders of Common Shares; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares in certain circumstances and (iv) the distribution to all or substantially all holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

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 Common Shares; or the sale or other transfer of all or substantially all of the consolidated assets of the Company (each, a "**Change of Control**"), Debentureholders will have the right to require the Company to offer to repurchase their Debentures within 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 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 Common 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 Debentures outstanding on the date of the notice of Change of Control have been tendered to the Company, the Company will have the right to redeem all the remaining Debentures at the Offer Price. The Debentures will carry no other rights of redemption.

Ranking

The Debentures will be direct, unsecured obligations of the Company ranking *pari passu*, in right of payment of principal and interest, with all other Debentures issued under the Offering and the Concurrent Private Placement and all existing unsecured debt and other liabilities of the Company.

Events of Default

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 Debentures thereunder: (i) default in payment of principal of (and premium, if any) on any Debentures when due, whether at maturity, upon a Change of Control or otherwise (whether such payment is due in cash, Common Shares or other securities or property or a combination thereof); (ii) default in payment of interest on any Debentures when due and payable and the continuance of any such default for 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 30 days after the date on which written notice of such default has been given to the Company by Odyssey or by the Debentureholders holding not less than 25% in principal amount of the outstanding 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 Common Shares or other consideration payable on conversion with

respect to the Debentures, which default continues for 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. The Debenture Indenture will provide that if an Event of Default specified therein shall occur and be continuing with respect to a Debenture issued thereunder, then Odyssey may, in its discretion, and shall, upon request of the Debentureholders not less than 25% in principal amount of outstanding Debentures, declare the principal of (and premium, if any) together with accrued interest on all 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 Debentures then outstanding may, on behalf of the Debentureholders, waive any Event of Default and/or cancel any such declaration upon such terms as such Debentureholders shall prescribe.

No Debentureholder 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 Debenture unless: (i) the Debentureholder gives to Odyssey written notice of the happening of an event of default; (ii) the Debentureholders 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 Debentures) or by written instrument signed by the holders of at least 25% in principal amount of the Debentures then outstanding shall have made a request to Odyssey 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 Debentureholders or any of them shall have furnished to Odyssey, when so requested by Odyssey, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (iv) Odyssey 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 Odyssey, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the Debentureholders.

Cancellation

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

Modification

The rights of Debentureholders 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, the Debenture Indenture will contain certain provisions which will make binding on all Debentureholders any resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66⅔% of the principal amount of the 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 Debentures, as applicable.

Book Entry, Delivery and Form

The Debentures will be issued in book-entry only form. CDS will act as securities depository for the Debentures. The Debentures will each be represented by one or more global certificates (the "**Global Debentures**") or NCI unless the Company, in its sole discretion, elects to prepare and deliver definitive 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 Debentures, investors should be aware that they (subject to the situations described below): (i) may not have Debentures registered in their name; (ii) may not have physical certificates representing their interest in

the Debentures; (iii) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (iv) may be unable to pledge Debentures as security.

All interests in the 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 Debentures deposited by Participants are registered in the name of CDS. The deposit of 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 Debentures. CDS's records reflect only the identity of the direct Participants to whose accounts such 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 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 Debentures except in the event that use of the book-entry only system for the Debentures is discontinued.

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 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 Debentures are credited on the record date (identified in a listing attached to the omnibus proxy).

The Company will make any payments on the 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 Odyssey to enable to Odyssey 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 Debentures at any time by giving reasonable notice to the Company. If CDS discontinues providing its service as securities depository with respect to the 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 Debentures the investor may own.

The information in this section concerning CDS and CDS's book-entry only system has been obtained from sources that the Company believes to be reliable, including CDS, but neither the Company nor the Agent take responsibility for its accuracy.

Neither the Company nor any trustee nor the Agent 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 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 Debenture or Debenture represented by a Global Debenture to pledge the Debenture or Debenture or otherwise take action with respect to such owner's interest in a Debenture or 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 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 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 Debentures so transferred, registered in the names of the transferees.

Warrants

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, which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com.

Each Warrant will entitle the holder to acquire, subject to adjustment as summarized below, one Warrant Share at an exercise price of $0.70 per Warrant Share on or before 5:00 p.m. (Vancouver time) on the Warrant Expiry Date, after which time the Warrant will be void and of no value. 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 and the Warrant Shares have not been and will not be registered under the 1933 Act or any applicable state securities laws, and the Warrants may not be exercised by or on behalf of a person in the United States unless an exemption from such registration is available and documentation to that effect is provided in accordance with the terms of the Warrant Indenture.

The Warrants may be issued in uncertificated form. Any Warrants issued in certificated 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 provide that the share ratio and exercise price of the Warrants will be subject to adjustment in the event of a subdivision or consolidation of the Common Shares. The Warrant Indenture will also provide that if there is (a) a reclassification or change of the Common Shares, (b) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification, or change of the Common Shares into other shares, or (c) any sale, lease, exchange or transfer of the Company's assets as an entity or substantially as an entirety to another entity, then each Warrantholder which is thereafter exercised shall receive, in lieu of Common Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

The Warrant Indenture will also provide that, during the period in which the Warrants are exercisable, it will give notice to the Warrantholders 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 events.

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

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. Warrantholders will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Company may amend or supplement the Warrant Indenture for certain purposes, without the consent of the Warrantholders, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrantholders may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the Warrantholder at which there are Warrantholders present in person or represented by proxy representing of at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of the Warrantholders present in person or by proxy shall form a quorum) and passed by the affirmative vote of the Warrantholders 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 (ii) adopted by an instrument in writing signed by the Warrantholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants.

Broker Warrants

The Company is authorized to issue to the Agent the Broker Warrants and the Fiscal Broker Warrants entitling the Agent to acquire that number of Broker Units that is equal to 7.0% of the number of Debenture Shares that would be issued assuming the conversion of 100% of the Debentures making up the Debenture Units sold under the Offering (including any Debentures making up Debenture Units sold pursuant to the Over-Allotment Option), at the initial conversion price set out in the Debentures, at an exercise price of $0.50 per Broker Unit. Each Broker Unit will consist of one Broker Unit Share and one-half of one Broker Unit Warrant. Each Broker Unit Warrant will entitle the holder thereof the right to purchase one Broker Warrant Share at an exercise price of $0.70 per Broker Warrant Share at any time up to the Broker Warrant Expiry Date.

The terms governing the Broker Warrants and the Fiscal Broker Warrants will be set out in the certificates representing the Broker Warrants and the Fiscal Broker Warrants, and will include, among other things, customary provisions for the appropriate adjustment of the class and number of the Broker Unit Shares issuable pursuant to any exercise of the Broker Warrants or the Fiscal Broker Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, any capital reorganization of the Company or any merger, consolidation or amalgamation of the Company with another entity, as well as customary amendment provisions. The Broker Warrants and Fiscal Broker Warrants will be non-transferable. The Agent, as holders of the Broker Warrants and Fiscal Broker Warrants, will not, as such, have any voting right or other right attached to the Broker Unit Shares until the Broker Warrants and the Fiscal Broker Warrants are duly exercised as provided for in the certificates representing the Broker Warrants and the Fiscal Broker Warrants.

The Broker Unit Warrants to be issued upon the exercise of the Broker Warrants and the Fiscal Broker Warrants will be issued under and governed by the terms and conditions of the Warrant Indenture.

No fractional Warrant Shares or Broker Warrant Shares will be issuable upon the exercise of any Warrants, Broker Warrants or Fiscal Broker Warrant, and no cash or other consideration will be paid in lieu of fractional shares. Warrantholders and Broker Warrant holders or Fiscal Broker Warrant holders will not have any voting or pre-emptive rights or any other rights which a Debentureholder would have.

PRIOR SALES

Common Shares

The following table contains details of the prior sales of Common Shares or securities convertible into Common Shares by the Company during the 12 months preceding the date of this Prospectus:

Date of Issuance/Grant	Type of Security	Number of Securities Issued	Issue/Exercise Price
December 7, 2017	Common Shares	1,044,800	$0.25
June 22, 2018	Options	150,000	$0.41
June 25, 2018	Units[(1)]	7,313,771	$0.35
June 25, 2018	Finder Warrants[(2)]	438,464	$0.50
July 10, 2018	Options	250,000	$0.41
July 12, 2018	Units[(3)]	5,569,613	$0.35
July 12, 2018	Finder Warrants[(4)]	257,748	$0.50
December 20, 2018	Common Shares[(5)]	11,000	$0.50

(1) Issued in connection with the closing of the first tranche of the Company's non-brokered private placement. Each unit was comprised of one Common Share and one common share purchase warrant with an exercise price of $0.50 per share until June 25, 2020, subject to acceleration in certain circumstances.
(2) Issued in connection with the closing of the first tranche of the Company's non-brokered private placement. Each broker warrant entitles the holder to acquire a Common Share at an exercise price of $0.50 per Common Share until June 25, 2020, subject to acceleration in certain circumstances.
(3) Issued in connection with the closing of the final tranche of the Company's non-brokered private placement. Each unit was comprised of one Common Share and one common share purchase warrant with an exercise price of $0.50 per share until July 12, 2020, subject to acceleration in certain circumstances.
(4) Issued in connection with the closing of the final tranche of the Company's non-brokered private placement. Each broker warrant entitles the holder to acquire a Common Share at an exercise price of $0.50 per Common Share until July 12, 2020, subject to acceleration in certain circumstances.
(5) Issued pursuant to an exercise of Finder Warrants.

TRADING PRICE AND VOLUME

The Company's Common Shares are listed and posted for trading on the CSE under the symbol "CHM", and in the U.S. on the OTCQB under the symbol "CHMJF". The Debentures to be sold under this Prospectus are not, and Warrants to be sold under this Prospectus are not currently, listed or posted for trading on any exchange.

The following table sets forth, for the periods indicated, the reported high and low prices (in Canadian dollars) and volume traded on the CSE.

Month	Monthly High ($)	Monthly Low ($)	Monthly Volume
March 2018	0.700	0.495	286,812
April 2018	0.690	0.400	195,915
May 2018	0.520	0.370	146,486
June 2018[(1)]	N/A	N/A	0
July 2018[(1)]	0.700	0.415	162,286

Month	Monthly High ($)	Monthly Low ($)	Monthly Volume
August 2018	0.650	0.500	255,428
September 2018	0.690	0.425	2258,606
October 2018	0.670	0.310	2,084,948
November 2018	0.540	0.340	2,416,162
December 2018	0.630	0.425	3,693,177
January, 2019	0.560	0.450	1,099,384
February, 2019	0.500	0.455	1,054,279
March 1 – 22, 2019	0.490	0.445	936,477

(1) Trading on the CSE was halted from June 1, 2018 to July 20, 2018 while the Company completed its change of business application with the CSE.

RISK FACTORS

A purchaser of Debenture Units should be aware that there are various risks, including those described below, that could have a material adverse effect upon, among other things, the operating results, earnings, properties, business, business prospects and condition (financial or otherwise) of the Company. Purchasers of the Debenture Units should carefully consider all information set out or incorporated by reference in this Prospectus, including, without limitation, the information under the heading "*Cautionary Statement Regarding Forward-Looking Information*" and in the AIF dated September 28, 2018 under the heading "*Risk Factors*", as well as the risk factors set out below before deciding to purchase the Debenture Units:

Risks Related to the United States

Canadian Investors in the Company's Securities and the Company's Directors and Officers may be subject to travel and entry bans in the United States

As cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry into the United States happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. On October 9, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. While a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible to the U.S., employees, directors, officers, managers and investors of companies attempting to enter the U.S. for reasons related to the marijuana industry may be barred from entry.

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

The majority of persons travelling across the Canadian and United States boarder do so without incident. However, the Company can make no assurances that any investor in the Company's securities and/or the Company's directors and officers will not be subject to detention, denial of entry or lifetime bans from the United States based on such person's investment in or involvement with the Company.

Risks Associated with the Offering

Market for the Securities

There is currently no market through which the Debentures or the Warrants may be sold and the Company does not intend to list the Debentures on any exchange. As such, a purchaser may be unable to sell the Debentures at the prices desired or at all. There is no existing trading market for the Debentures and there can be no assurance that a liquid market will develop or be maintained for the Debentures, or that a purchaser will be able to sell any of the Debentures at a particular time (if at all). The liquidity of the trading market in the Debentures and the sale price, if any, for the Debentures may be adversely affected by, among other things: (i) changes in the overall market for Company's securities; (ii) changes in the Company's financial performance or prospects; (iii) changes or perceived changes in the Company's creditworthiness; (iv) the prospects for companies in the Company's industry generally; (v) the number of holders of Debentures; and (vi) the interest of securities dealers in making a market for the Debentures.

Even though the Company has filed an application to list the Warrants on the CSE, and the Company will use its commercially reasonable best efforts to obtain such listing, there can be no assurance that it will meet the listing requirements or that such listing application will be accepted by the CSE, or that a secondary market for trading in the 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 Warrants does not develop, the liquidity and the trading prices for the Warrants may be adversely affected.

Volatility of Market Price of the Securities

The market price of the Common Shares, Warrants and Debentures may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Company; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) the financial condition, results of operation and prospects of the Company; (vi) changes in the industry in which the Company operates and competition affecting the Company; and (vii) general market and economic conditions. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Common Shares, Warrants and Debentures.

Proceeds may not be spent as outlined under "Use of Proceeds"

The Company currently intends to allocate the net proceeds received from the Offering and Concurrent Private Placement as described under "*Use of Proceeds*". However, management will have discretion in the actual application of the net proceeds, and may elect to allocate net proceeds differently from that described under "*Use of Proceeds*" if management believes it would be in the Company's best interest to do so. Shareholders of the Company may not agree with the manner in which management chooses to allocate and spend the net proceeds. The failure by management to apply these funds effectively could have a material adverse effect on the Company's business.

Need for Additional Financing

Despite the anticipated net proceeds from the Offering and the Concurrent Private Placement, the Company may require additional financing, including through the sale of assets and/or the issue and sale of equity or debt securities if various events alone or in combination occur. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner or on acceptable terms, if at all.

Negative Operating Cash Flow

The Company had negative operating cash flow for the six month period ended December 31, 2018 as well as for the fiscal years ending June 30, 2018 and June 30, 2017. If the Company continues to have negative cash flow into the future, additional financing proceeds may need to be allocated to funding this negative cash flow in addition to the Company's operational expenses. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Continued negative cash flow may restrict the Company's ability to pursue its business objectives.

Return on Securities is not Guaranteed

There is no guarantee that an investment in the Debenture Units will earn a positive return in the short or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Debenture Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

The Concurrent Private Placement may not be completed

There is no guarantee that all of the conditions to the completion of the Concurrent Private Placement will be satisfied. Completion of the Concurrent Private Placement is conditional upon the closing of the Offering.

Risks Related to the Debentures

Ability to Satisfy Interest and Principal Payments

There is no guarantee that the Company will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health and creditworthiness of the Company and the ability of the Company to earn revenues. See "*Earnings Coverage Ratios*", which is relevant to an assessment of the risk that the Company may be unable to make payments to the Debentureholders when due, including payments of interest or the repayment of principal.

Prevailing Yields on Similar Securities

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

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 Debentureholders in the event of a future leveraged transaction involving the Company or any of its subsidiaries.

Change of Control

Debentureholders have the right to require the Company to repurchase all outstanding 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 Debentures or that restrictions contained in other indebtedness will restrict those purchases. See "*Debentures – Change of Control of the Company*".

Credit Risk and Earnings Coverage

The Debentures mature three years from the Closing Date. The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the 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 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 Debentures upon maturity.

Conversion following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into securities, cash or property receivable by a holder of Common Shares in the kind and amount of securities, cash or property into which the 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 Debentures in the future. See "*Debentures – Change of Control of the Company*".

Structural Subordination of the Debentures

The 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 Debentureholders. Accordingly, all or a substantial portion of the Company's assets could be unavailable to satisfy the claims of the Debentureholders. In addition, the 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 Debentures.

Dilution

The Company may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares. The issuance of additional Common Shares may have a dilutive effect on the Company's shareholders and an adverse impact on the price of Common Shares.

Shareholder Rights

Debentureholders and Warrantholders will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that the Board designates as payable to the Debentureholders or Warrantholders), but if such a holder subsequently: (a) exercises its Warrants; or (b) converts its Debentures, into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Company delivers Common Shares upon (a) the exercising of a Warrant; or (b) the conversion of a 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 Common 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 Common Shares that result from such amendment.

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 Debentureholders 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 Debentures. At present, the Company does not intend to withhold amounts from such payments to Debentureholders 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. See "*Certain Canadian Federal Income Tax Considerations*".

Withholding and Participating Debt Interest

The Tax Act does not generally impose withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm's length. However, Canadian withholding tax does apply to payments of "participating debt interest", which is defined in the Tax Act as 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 or exchange of the obligation, and a redemption 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" (as defined in the Tax Act), although it is not clear whether a particular Debenture would qualify as an excluded obligation. If a Debenture is not an excluded obligation, the issues that arise are 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 it would not consider the Excess to be participating debt interest, provided that the Debenture in question satisfied the requirements 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 dated May 10, 2010), and therefore there would be no withholding tax in such circumstances (provided generally that the payor and payee deal at arm's length for purposes of the Tax Act). The Company believes that the Debentures should generally meet the criteria set forth in the CRA's statement. However, the application of CRA's published guidance to the Debentures is uncertain and there is a risk that CRA could take the position that amounts paid or payable to a Non-Canadian Holder of 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).

Investment Eligibility

The Company will endeavour to ensure that, following the issuance of the Debentures and the Warrants, the Debentures, the Warrants and the Common Shares continue to be qualified investments under the Tax Act for trusts governed by Registered Plans (except, in the case of the 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 Debentures, the Warrants and the Common 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.

Risks Related to the Company's Investments

Washington Assets

Following closing of the Washington Acquisition and receipt of approval from the WSLCB, Chemistree Washington expects to enter into agreements with a potential Strategic Partner in order for the Strategic Partner to operate the "Sugarleaf" brand of retail cannabis products in Washington State. Chemistree does not have agreements in place with

a Strategic Partner at this time, and there can be no assurance that any such agreements will be signed. Moreover, Chemistree cannot provide any guarantees that a Strategic Partner will obtain or maintain the WSLCB license or that it will be able to obtain or maintain any other permit, license, authorizations or accreditations required in connection with the Washington Assets or any other business in Washington. If such agreements are not signed, then the Company will not be able to execute on certain aspects of its business plan which may have a negative impact on the Company.

DHS Property

The Company has obtained a Conditional Use Permit for the DHS Property. However, Chemistree cannot provide any guarantees that it will be able to maintain the required Conditional Use Permit or that it will be able to obtain or maintain any other permit, license, authorizations or accreditations required to operate the DHS Property or any other business in California. If such Conditional Use Permit is revoked, or such approvals are not obtained, then the Company will not be able to execute on certain aspects of its business plan which may have a negative impact on the Company.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Debenture Units pursuant to this Prospectus will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Company and by DLA Piper (Canada) LLP on behalf of the Agent.

The partners and associates of Blake, Cassels & Graydon LLP, as a group, and the partners and associates of DLA Piper (Canada) LLP, as a group, each beneficially own, directly or indirectly, less than 1% or none of the outstanding securities of the Company.

EXPERTS

Davidson & Company LLP, Chartered Professional Accountants are the auditors of the Company and were appointed auditors of the Company on July 23, 2018, and have issued an audit report in connection with the Annual Financial Statements incorporated by reference in this Prospectus, for the year ended June 30, 2018. Davidson & Company LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Charlton & Company, Chartered Professional Accountants are the former auditors of the Company who resigned as auditors on July 23, 2018 and have issued an audit report in connection with the Annual Financial Statements incorporated by reference in this Prospectus, for the year ended June 30, 2017. Charlton & Company is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

The people named below reside outside of Canada or, in the case of companies, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, and each has appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
Sheldon Aberman	Chemistree Technology Inc. Suite 810 - 609 Granville Street, P.O. Box 10322, Pacific Centre, Vancouver, British Columbia, V7Y 1G5, Canada

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

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

CERTIFICATE OF THE COMPANY

Dated: March 25, 2019

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

(Signed) Karl Kottmeier	*(Signed) Douglas E. Ford*
_____	_____
Chief Executive Officer	Chief Financial Officer

On behalf of the Board of Directors:

(Signed) Justin Chorbajian	*(Signed) Sheldon Aberman*
_____	_____
Director	Director

CERTIFICATE OF THE AGENT

Dated: March 25, 2019

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

CANACCORD GENUITY CORP.

(Signed) Frank Sullivan

_____

Frank Sullivan
Vice President, Sponsorship, Investment Banking