ZARA RESOURCES INC.

2019 NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS AND INFORMATION CIRCULAR

including with respect to a proposed

ACQUISITION

of

BLACKLIST HOLDINGS, INC.

by

ZARA RESOURCES INC.

JANUARY 25, 2019

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ZARA RESOURCES INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares (the "**Zara Shares**") of Zara Resources Inc. ("**Zara**" or the "**Company**") will be held at McMillan LLP, Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia on March 4, 2019 at 10:00 a.m. (Pacific time) for the following purposes:

1. to receive the audited financial statements of the Company for the fiscal years ended July 31, 2016, 2017 and 2018 and the reports of the auditors thereon;
2. to determine the number of directors and elect directors for the ensuing year;
3. to reappoint Dale Matheson Carr-Hilton Labonte LLP as the auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration;
4. to approve the Company's Stock Option Plan described in the accompanying Management Information Circular;
5. to consider and if thought advisable, to pass, with or without variation, an ordinary resolution (the "**Acquisition Resolution**"), the full text of which is set forth in Appendix B to the accompanying Management Information Circular, approving the acquisition of Blacklist Holdings, Inc. ("**Blacklist**") and the transactions contemplated in the Share Exchange Agreement dated December 24, 2018, among the Company, Blacklist, Blacklist Finco Inc., 1185669 B.C. Ltd. and certain securityholders of Blacklist;
6. to consider and if thought advisable, to pass, with or without variation, a special resolution ratifying and confirming the Company's Articles;
7. to transact such other business, including amendments to the foregoing, as may properly come before the Meeting or any adjournment or adjournments thereof.

This Notice of Meeting is accompanied by a Management Information Circular and either a form of proxy for registered Shareholders or a voting instruction form for beneficial Shareholders (collectively, the "**Meeting Materials**"). The nature of the business to be transacted at the Meeting is described in further detail in the accompanying Management Information Circular. The Management Information Circular is deemed to form part of this Notice of Meeting. Please read the Management Information Circular carefully before you vote on the matters to be presented at the Meeting.

The Directors of the Company have fixed the close of business on January 22, 2019 as the record date for determining Shareholders entitled to receive notice of and to vote at the Meeting. Only Shareholders whose names have been entered into the register of the holders of Zara Shares as at January 22, 2019, will be entitled to receive notice of and to vote at the Meeting in respect of such Zara Shares.

Registered Shareholders are requested to date, sign and return the accompanying form of proxy for use at the Meeting whether or not they are able to attend personally. To be effective, forms of proxy must be received by Reliable Stock Transfer Inc., Attention Proxy Department, 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7, before 5:00 pm (Eastern time) on February 28, 2019 or no less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjournment thereof.

All non-registered Shareholders who receive these materials through a broker or other intermediary should complete and return the materials in accordance with the instructions provided to them by such broker or intermediary.

DATED at Vancouver, British Columbia, as of this 25th day of January, 2019.

By order of the Board of Directors

"Kenneth Cotiamco"

Kenneth Cotiamco
Interim Chief Executive Officer

ZARA RESOURCES INC.

488-1090 West Georgia Street
Vancouver, British Columbia V6E 3V7

MANAGEMENT INFORMATION CIRCULAR
AS AT AND DATED JANUARY 25, 2019
(Unless otherwise noted)

GENERAL INFORMATION

Introduction

This Management Information Circular ("**Circular**") accompanies the Notice of the 2019 Annual General and Special Meeting ("**Notice of Meeting**") of holders ("**Shareholders**") of common shares of Zara Resources Inc. ("**Zara**" or the "**Company**") scheduled to be held on March 4, 2019 (the "**Meeting**"), and is furnished in connection with a solicitation of proxies by management of the Company for use at that Meeting and at any adjournment or postponement thereof. No person has been authorized to give any information or make any representation in connection with the Transaction (as defined herein) or any other matters to be considered at the Meeting other than those contained in this Circular (or incorporated by reference herein) and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the acquisition of all of the issued and outstanding shares of Blacklist Holdings, Inc. (the "**Acquisition**") in this Circular are qualified in their entirety by reference to the complete text of the Share Exchange Agreement which is available under the Company's profile on SEDAR at www.sedar.com. **You are urged to carefully read the full text of the Share Exchange Agreement.**

Information Contained in this Circular

The information contained in this Circular is given as at January 25, 2019, except where otherwise noted, and information contained in documents incorporated by reference herein is given as of the dates noted in those documents.

Neither the delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstance, provide any assurance or create any implication that there has been no change in the information set forth herein since the date as of which such information is given in this Circular.

The information concerning Blacklist Holdings, Inc. ("**Blacklist**") herein has been provided by Blacklist. Although Zara has no knowledge that would indicate that any of such information is untrue or incomplete, Zara assumes no responsibility for the accuracy or completeness of such information or the failure by Blacklist to disclose events that may have occurred or may affect the completeness or accuracy of such information.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

If you hold Zara Shares through a broker, investment dealer, bank, trust company, nominee or other intermediary (collectively, an "**Intermediary**"), you should contact your Intermediary for instructions and assistance in voting at the Meeting.

Cautionary Notice Regarding Forward-Looking Statements

This Circular, including documents incorporated by reference herein, contains forward-looking statements and information (collectively referred to as "**forward-looking information**"). All statements other than statements of historical fact are forward-looking information. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "potential", and similar expressions are intended to identify forward-looking information. Forward-looking information presented in such statements or disclosures may, among other things, relate to:

(i) the anticipated benefits from the Transaction;
(ii) the expected completion and implementation date of the Transaction;
(iii) the expected Closing Date of the Transaction;
(iv) the percentage of Zara Shares held by both former Shareholders and current Blacklist Shareholders upon completion of the Transaction;
(v) the listing of the Zara Shares issuable pursuant to the Transaction on the CSE;
(vi) certain combined operational and financial information;
(vii) the nature of Zara's operations following the Transaction;
(viii) forecasts of capital expenditures, including general and administrative expenses and savings;
(ix) expectations regarding the ability to raise capital;
(x) fluctuations in currency exchange rates;
(xi) Zara's business focus and outlook following the Transaction;
(xii) plans and objectives of management for future operations;
(xiii) anticipated operational and financial performance; and
(xiv) the effect of the Transaction on Zara's share capital.

Care should be taken when considering forward-looking information, which is inherently uncertain, is based on estimates and assumptions, and is subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking information will not occur. There can be no assurance that the plans, intentions or expectations upon which forward- looking information is based will in fact be realized. Actual results may differ, and the difference may be material and adverse to Zara and/or Blacklist. Forward-looking information is provided for the purpose of providing information about Zara's and Blacklist's management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Various assumptions or factors are typically applied in drawing conclusions or making forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to Zara and Blacklist and while consideration has been given to list what the companies think are the most important factors, the list should not be considered exhaustive. In some instances, material assumptions and factors are presented or discussed elsewhere in this Circular in connection with the statements or disclosure containing the forward-looking information. The factors and assumptions include, but are not limited to:

- the approval of the Transaction by the regulatory authorities;
- the approval of the Acquisition Resolution by the Shareholders;
- the satisfaction or waiver of all conditions to the completion of the Transaction in accordance with the terms of the Share Exchange Agreement;

- no material changes in the legislative and operating framework for the businesses of Zara and Blacklist, as applicable;
- stock market volatility and market valuations;
- no material adverse changes in the business of either or both of Zara and Blacklist;
- the ability of Blacklist to access capital subsequent to the Transaction; and
- no significant event occurring outside the ordinary course of business of Zara or Blacklist, as applicable, such as a natural disaster or other calamity.

The forward-looking information in statements or disclosures in this Circular (including the documents incorporated by reference herein) is based (in whole or in part) upon factors which may cause actual results, performance or achievements of Zara or Blacklist, as applicable, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to Zara and Blacklist, as applicable, including information obtained from third-party industry analysts and other third party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While Zara and Blacklist do not know what impact any of those differences may have, their business, results of operations, and financial condition may be materially adversely affected.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change or may impact asset values and net earnings as further information becomes available, and as the economic environment changes.

Readers should also consider the risk factors described under "*Risk Factors*" and other risks described elsewhere in this Circular and in the documents incorporated by reference herein, including "Forward-Looking Statements" in the Zara and Blacklist Annual Management's Discussion and Analysis. Additional information on these and other factors that could affect the operations or financial results of Zara are included in documents on file with applicable Canadian Securities Administrators and may be accessed on Zara's profile through SEDAR (www.sedar.com). Such documents, unless expressly incorporated by reference herein, and websites, although referenced, do not form part of this Circular.

The forward-looking information contained in this Circular (including the documents incorporated by reference herein) is made as of the date hereof and thereof and Zara and Blacklist undertake no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable Canadian Securities Laws.

Information for Beneficial Shareholders

Only those persons whose name appears on the register of Zara as the owner of Zara Shares ("Registered Holders") or duly appointed proxyholders are permitted to vote at the Meeting. Many shareholders are "non-registered" shareholders because the Zara Shares they own are registered in the name of an Intermediary through which they hold the Zara Shares. More particularly, a person is not a Registered Holder in respect of Zara Shares which are held on behalf of that person (the "**Beneficial Shareholder**") but which are registered either:

(i) in the name of an Intermediary that the Beneficial Shareholder deals with in respect of the Zara Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and tax free savings accounts and similar plans); or

(ii) in the name of a clearing agency (such as CDS or Cede & Co.) in which the Intermediary is a participant.

In Canada, the vast majority of such shares are registered under the name of CDS, which company acts as nominee for many Canadian brokerage firms. Zara Shares held by Intermediaries can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Zara Shares held for Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Zara Shares are communicated to the appropriate person or that the Zara Shares are duly registered in their name.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be followed carefully by Beneficial Shareholders in order to ensure that their Zara Shares are voted at the Meeting. Often, the voting instruction form supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided to Registered Holders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**").

Broadridge typically mails its voting instruction form (a "**VIF**"), which may be scanned, in lieu of the form of proxy. The Beneficial Shareholders will be requested to complete and return the VIF to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can vote by telephone or via the internet at www.proxyvote.com. The various methods of voting will be provided by Broadridge on its VIF. Zara may utilize the Broadridge QuickVote™ service to assist shareholders with voting their shares. A Beneficial Shareholder receiving a VIF from Broadridge cannot use that VIF to vote Zara Shares directly at the Meeting as the VIF must be returned as directed by Broadridge in advance of the Meeting in order to have the Zara Shares voted.

Conventions

Words importing the singular include the plural and *vice versa*.

In this Circular, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to "dollars" or "$" are to Canadian dollars and references to "US$" are to United States dollars.

This Circular contains defined terms. For a list of certain defined terms used herein, see *Glossary of Terms* on the following page of the Circular.

GLOSSARY OF TERMS

In this Circular, including the Appendices C and D attached hereto, the following terms shall have the respective meanings set out below, unless otherwise defined herein or unless there is something in the subject matter inconsistent therewith.

"**Acquisition**" means the acquisition of all issued and outstanding Blacklist Shares by Zara pursuant to the Share Exchange Agreement.

"**Acquisition Resolution**" means the ordinary resolution of Shareholders in respect of the Acquisition to be considered at the Meeting, the full text of which is set out in Appendix B to this Circular.

"**Alternative Transaction**" means any of the following (other than the Transaction contemplated by the Share Exchange Agreement and the Amalgamation Agreement): (a) any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation or other business combination directly or indirectly involving Blacklist, Zara, and in the case of Blacklist also shall include any analogous transaction whereby Blacklist becomes directly or indirectly publicly listed (b) any acquisition of 35% or more of the assets of Blacklist, Zara or any of its subsidiaries (or any lease, long-term supply agreement, exchange, mortgage, pledge or other arrangement having a similar economic effect), (c) any acquisition of beneficial ownership of 20% or more of Blacklist Shares or the Zara Shares in a single transaction or a series of related transactions, or (d) any bona fide proposal to, or public announcement of an intention to, do any of the foregoing on or before the date the Share Exchange Agreement is terminated.

"**Amalco**" means the continuing corporation constituted upon the amalgamation of Zara Subco and Blacklist Finco pursuant to the Amalgamation.

"**Amalgamation**" means the amalgamation to be implemented by way of a "three-cornered" amalgamation whereby Zara Subco will amalgamate with Blacklist Finco pursuant to the Amalgamation Agreement.

"**Amalgamation Agreement**" means the agreement among Zara, Zara Subco, Blacklist and Blacklist Finco dated December 24, 2018.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**Beneficial Shareholder**" has the meaning ascribed thereto in *"General Proxy Information – Non-Registered (Beneficial) Shareholders"*.

"**Blacklist**" means Blacklist Holdings, Inc., a Washington State corporation.

"**Blacklist Annual Financial Statements**" means the audited Blacklist's Statement of financial position as at December 31, 2017 and 2016 and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended.

"**Blacklist Debentureholders**" means the holders of Blacklist Debentures.

"**Blacklist Debentures**" has the meaning ascribed to such term under *The Acquisition*.

"**Blacklist Finco**" means Blacklist Finco Inc.

"**Blacklist Finco Shareholders**" means holders of Blacklist Finco Shares.

"**Blacklist Finco Shares**" means the common shares in the capital of Blacklist Finco.

"**Blacklist Finder's Warrants**" means common share purchase warrants of Blacklist entitling the holder thereof to acquire one Blacklist Share at an exercise price of $0.50 per share at any time up until 18 months from the date of issuance.

"**Blacklist Interim Financial Statements**" means the unaudited interim financial statements of Blacklist for the nine month period ended September 30, 2018 and 2017.

"**Blacklist Shareholders**" means holders of Blacklist Shares.

"**Blacklist Shares**" means common stock in the capital of Blacklist.

"**Blacklist Warrants**" means Blacklist Finder's Warrants and Performance Warrants.

"**Board**" or "**Board of Directors**" or "**Zara Board**" means the board of directors of Zara.

"**Business**" means, in the case of Zara the business of Zara and its subsidiaries as it is currently conducted, and, in the case of Blacklist, means the business of Blacklist and its subsidiaries as it is currently conducted.

"**Business Day**" means a day, other than a Saturday, a Sunday, or a statutory holiday in Vancouver, British Columbia.

"**Canadian Securities Authorities**" means all applicable securities regulatory authorities, including the applicable securities commissions or similar regulatory authorities in each of the provinces and territories of Canada.

"**Canadian Securities Laws**" means the *Securities Act* (British Columbia), as amended, and the equivalent legislation in the other provinces where Zara is a reporting issuer, as amended from time to time, the rules, regulations and forms made or promulgated under any such statutes and the published policies, bulletins and notices of the regulatory authorities administering such statutes.

"**CBD**" means cannabidiol.

"**CDS**" means the CDS Clearing and Depository Services Inc.

"**CDS MOU**" has the meaning set out in *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Risks Specifically Related to the United States*.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Closing**" means the closing of the Transaction.

"**Closing Date**" means the date of closing of the Transaction.

"**Cole Memorandum**" has the meaning ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview*.

"**Circular**" means this management information circular of Zara, including all appendices and schedules hereto, and all amendments and supplements thereto.

"**company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Company**" or "**Zara**" means Zara Resources Inc., a corporation incorporated under the laws of the Province of British Columbia.

"**Compensation Committee**" means the Corporate Governance and Compensation Committee of Zara.

"**Consolidation**" means the consolidation of the issued and outstanding pre-consolidated Zara Shares at a ratio that results in approximately 332,000 new Zara Shares being outstanding on a post-Consolidation basis.

"**Controlled Substances Act**" has the meaning ascribed to such term in *Appendix D – Information Concerning the Resulting Issuer – Cautionary Statements Regarding U.S. Cannabis Operations*.

"**Conversion of Subscription Receipts**" means the automatic exchange of Subscription Receipts for common shares of Blacklist Finco without payment of additional consideration pursuant to the terms and conditions of the Subscription Receipts and the Subscription Receipt Agreement.

"**CSA**" means the Canadian Securities Administrators.

"**CSE**" means the Canadian Securities Exchange.

"**CSE Listing**" means the listing of the Resulting Issuer Shares on the CSE.

"**Debenture Financing**" has the meaning ascribed to such term under the heading *The Transaction*.

"**DOJ**" has the meaning ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview*.

"**Effective Date**" means the effective date of the Transaction.

"FinCEN Memorandum" has the meaning ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview*.

"Finders" means Privateer Capital Management, LP and Skanderbeg.

"**Governmental Entity**" means any (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign, or (b) regulatory authority, including any securities commission, or stock exchange, including the CSE.

"**IFRS**" means International Financial Reporting Standards.

"**Intermediary**" or "**Intermediaries**" has the meaning ascribed thereto under "*General Proxy Information – Non-Registered (Beneficial) Shareholders*".

"**Law**" means any applicable laws, including international, national, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, by-laws, rules, regulations, ordinances, or other requirements of any regulatory authority having the force of law.

"**Leahy Amendment**" has the meaning ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview.*

"**Listing Date**" means the date of the CSE Listing.

"**Listing Statement**" means the listing statement of Zara in accordance with requirements of the CSE in respect of the Transaction.

"**Loan**" has the meaning ascribed to such term under the heading *The Transaction*.

"**Loan Warrants**" has the meaning ascribed to such term under the heading *The Transaction*.

"**Management Appointees**" has the meaning ascribed thereto in "*General Proxy Information – Appointment of Proxyholder*".

"**Material Adverse Change"** means a change with respect to a Person that would have a Material Adverse Effect.

"**Material Adverse Effect**" means, in respect of any Person, any change, effect, event, circumstance, fact or occurrence that individually or in the aggregate with other such changes, effects, events, circumstances, facts or occurrences, is or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, prospects, assets (tangible or intangible), liabilities (including any contingent liabilities), operations or results of operations of that Person and its subsidiaries, taken as a whole, except any change, effect, event, circumstance, fact or occurrence resulting from or relating to: (i) the announcement of the execution of the Share Exchange Agreement or the transactions contemplated thereby; (ii) general political, economic or financial conditions in Canada or the United States of America; (iii) the state of securities or commodity markets in general; (iv) any natural disaster or the commencement or continuation of any war, armed hostilities or acts of terrorism (provided that it does not have a materially disproportionate effect on that Person relative to companies operating in the business or industry in which the Person operates); (v) any change or development generally affecting the industry in which the Person operates (provided that it does not have a materially disproportionate effect on that Person relative to companies operating in the business or industry in which the Person operates; (vi) any adoption, proposed implementation or change in applicable law or any interpretation thereof by any Governmental Entity; (vii) any change in IFRS or changes in applicable regulatory accounting requirements applicable to the industry in which it conducts business; (viii) changes or developments in or relating to currency exchange or interest rates; or (ix) any decrease in the trading price or any decline in the trading volume of that Person's common shares (it being understood that the causes underlying such change in trading price or trading volume (other than those in items (i) to (viii) above) may be taken into account in determining whether a Material Adverse Effect has occurred).

"**MD&A**" means management's discussion and analysis.

"**Meeting**" has the meaning ascribed thereto in "*General Information*".

"**MI 61-101**" means Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions, and the companion policies and forms thereto, as amended from time to time.

"**Named Executive Officer**" or "**NEO**" has the meaning ascribed to such term under "*Statement of Executive Compensation*".

"**NI 54-101**" means National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer*.

"**Performance Warrants**" means the 17,000,000 share purchase warrants to be issued to Skanderbeg and certain Blacklist Shareholders prior to the Closing Date to acquire Blacklist Shares at an exercise price of $0.05 per Blacklist Share for 12 months following the Closing Date.

"**Person**" means an individual, general partnership, limited partnership, corporation, company, limited liability company, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative.

"**Proxy**" has the meaning ascribed thereto in *"General Proxy Information – Appointment of Proxyholder"*.

"**Record Date**" means January 22, 2019, the date fixed for determining the Shareholders entitled to receive notice of, and to vote at, the Meeting.

"**Registered Shareholder**" means a registered holder of Zara Shares as recorded in the central securities register of Zara maintained by RST.

"**Related Party Transaction**" has the meaning ascribed to such term in MI 61-101.

"**Resulting Issuer**" means Zara after giving effect to the Transaction, at which time Zara is expected to be renamed "Ionic Brands Corp.".

"**Resulting Issuer Shares**" means Zara Shares after the Transaction, including after the Consolidation.

"**RST**" means Reliable Stock Transfer Inc., Zara's registrar and transfer agent.

"**SAR**" has the meaning ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview*.

"**Securities Act**" means the *Securities Act* (British Columbia).

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

"**Share Exchange Agreement**" means the share exchange agreement dated December 24, 2018 made among Zara, Zara Subco, Blacklist, Blacklist Finco, Blacklist Shareholders and certain Blacklist Debentureholders, a copy of which is available on SEDAR at www.sedar.com.

"**Shareholders**" means holders of Zara Shares.

"**Skanderbeg**" means Skanderbeg Capital Advisors Inc.

"**Staff Notice 51-352**" has the meaning ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview.*

"**Subscription Receipt Agent**" means Odyssey Trust Company, in its capacity as the subscription receipt agent pursuant to the Subscription Receipt Agreement.

"**Subscription Receipt Agreement**" means the Subscription Receipt Agreement among Blacklist, Blacklist Finco and Subscription Receipt Agent made as of November 26, 2018.

"**Subscription Receipt Financing**" means the equity financing of Blacklist Finco completed on November 26, 2018 and December 4, 2018 raising gross proceeds of $7,140,073 through the issuance of Subscription Receipts at $0.50 per Subscription Receipt.

"**Subscription Receipts**" means the subscription receipts of Blacklist Finco issued under the Subscription Receipt Agreement whereby each such Subscription Receipt entitles the holder thereof to receive, without payment of additional consideration or taking of further action, one common share of Blacklist Finco upon satisfaction of the Escrow Release Conditions.

"**Subsidiary**" means, with respect to a person, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class will or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such person and will include any body

corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary.

"**Supporting Shareholders**" means certain shareholders of Zara who are a party to the Voting Support Agreement.

"**THC**" means tetrahydrocannabinol.

"**Termination Date**" means April 30, 2019, or such later date as may be agreed in writing between Zara and Blacklist.

"Transaction" means the (i) Consolidation; (ii) Conversion of Subscription Receipts; (iii) Amalgamation; (iv) Acquisition; and (v) CSE Listing.

"**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**USAM**" has the meaning set ascribed to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview.*

"**Voting Support Agreements**" means, collectively, the voting support agreements entered into by Blacklist with each of the Supporting Shareholders.

"**Zara Annual MD&A**" means Zara's management's discussion and analysis for the year ended July 31, 2018.

"**Zara Interim Financial Statements**" means the unaudited three month period ended October 31, 2018 and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the period then ended.

"**Zara Interim MD&A**" means Zara's management discussion and analysis for the three months ended October 31, 2018.

"**Zara MD&A**" means, collectively, the Zara Annual MD&A and the Zara Interim MD&A.

"**Zara Option Plan**" means the Zara share option plan in effect on the date hereof and the agreements entered into thereunder and which will be proposed for re-approval by Shareholders at the Meeting.

"**Zara Shares**" means the common shares in the capital of Zara, as constituted from time to time.

"**Zara Subco**" means 1185669 B.C. Ltd.

"**2014 Cole Memo**" has the meaning set out to such term in *Appendix C – Information Concerning Blacklist – Regulatory Overview*.

THE TRANSACTION

Acquisition

Under the terms of the Share Exchange Agreement, Zara will acquire 100% of the outstanding Blacklist Shares. Blacklist Shareholders will receive one Resulting Issuer Share for each Blacklist Share and Blacklist Shareholders will become shareholders of Zara.

On December 24, 2018, Zara, Zara Subco, Blacklist, Blacklist Finco, Blacklist Shareholders and certain Blacklist Debentureholders entered into a share exchange agreement. The Share Exchange Agreement effectively provides for the acquisition of all of the outstanding Blacklist Shares by Zara in a transaction in which Blacklist Shareholders will receive Zara Shares in exchange for its Blacklist Shares, to be completed concurrently with the Amalgamation. As a result of the acquisition of Blacklist, Zara will become the sole registered owner of all of the outstanding Blacklist Shares.

Pursuant to the Share Exchange Agreement, Blacklist Shareholders will receive one Resulting Issuer Share for each Blacklist Share held at the closing of the Acquisition, on a post-Consolidation basis. The Share Exchange Agreement provides that, without action by the holder thereof each Blacklist Warrant shall, upon the Effective Date, become a warrant, as applicable, to purchase Resulting Issuer Shares and the number of Resulting Issuer Shares and the exercise price will be adjusted in accordance with the terms governing the Blacklist Warrants. Subject to the above, the terms and conditions of the Blacklist Warrants in effect on the Effective Date shall continue to govern such Blacklist Warrants following the Effective Date.

It is anticipated that the Acquisition will result in Zara issuing an aggregate of approximately 86,915,057 Resulting Issuer Shares to the Blacklist Shareholders.

Certain of the Resulting Issuer Shares held by the current Blacklist Shareholders will be subject to escrow conditions and applicable resale restrictions as required by applicable securities laws and CSE requirements. See *Appendix D – Information Concerning the Resulting Issuer - Escrowed Securities*.

The description of the Share Exchange Agreement in this Circular, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Share Exchange Agreement, which is available on Zara's SEDAR profile at www.sedar.com and which is incorporated by reference herein.

Amalgamation

Under the terms of the Amalgamation Agreement, as a condition to and to be completed concurrent with the closing of the Acquisition, Zara and Blacklist shall complete the Amalgamation. On December 24, 2018, Zara, Zara Subco, Blacklist and Blacklist Finco entered into the Amalgamation Agreement, as contemplated in the Share Exchange Agreement. The Amalgamation effectively provides a three-cornered amalgamation whereby Zara Subco and Blacklist Finco will amalgamate to form Amalco with holders of Blacklist Finco Shares receiving the Resulting Issuer Shares, on a post-Consolidation basis. As a result of the amalgamation of Zara Subco and Blacklist Finco, Zara will become the sole registered owner of all the outstanding shares of Amalco.

Pursuant to terms of the Amalgamation Agreement, upon completion of the Amalgamation every one (1) Blacklist Finco Share held by Blacklist Finco Shareholders will be exchanged for one post-Consolidation Resulting Issuer Share, with an aggregate of 14,280,146 Resulting Issuer Shares being issued. Each Blacklist Finco Share being exchanged under the Amalgamation will be issued upon the Conversion of Subscription Receipts. See *The Transaction - Subscription Receipts Financing*.

Following the completion of the Transaction, the Resulting Issuer intends to wind-down Amalco.

The description of the Amalgamation Agreement in this Circular is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Amalgamation Agreement, which is available on Zara's SEDAR profile at www.sedar.com and which is incorporated by reference herein.

Financings

Subscription Receipt Financing

Prior to entering into the Share Exchange Agreement, Blacklist Finco, a wholly-owned subsidiary of Blacklist, completed a non-brokered private placement of Subscription Receipts at a price of $0.50 per Subscription Receipt for total gross proceeds of $7,140,073. Each Subscription Receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one Blacklist Finco Share upon the occurrence of the Escrow Release Conditions, with each such Blacklist Finco Share to be then immediately exchanged in accordance with the terms of the Amalgamation Agreement at an exchange ratio of one Blacklist Finco Share for one post-Consolidation Resulting Issuer Share. The Subscription Receipt Financing closed in two tranches: (i) the first tranche closed on November 26, 2018 for total gross proceeds of approximately $4,055,000; and (ii) the second tranche closed on December 4, 2018 for total gross proceeds of $3,085,073.

The gross proceeds from the Subscription Receipt Financing have been deposited with the Subscription Receipt Agent in escrow (the "**Escrowed Proceeds**") pursuant to the Subscription Receipt Agreement. The Escrowed Proceeds will be released by the Subscription Receipt Agent to Blacklist upon receipt of a notice (the "**Release Notice**") to the Subscription Receipt Agent from Blacklist on or prior to 5:00 pm (Toronto time) on March 26, 2019 (as the same may be extended in accordance with the terms of the Subscription Receipt Agreement) (the "**Termination Time**") indicating: (a) the completion or satisfaction, as the case may be, of all conditions precedent to the Acquisition shall have occurred, been satisfied or been waived, other than the issuance of the consideration contemplated by the Acquisition or the filing of the articles of amalgamation or other applicable documentation as may be required pursuant to corporate law; and (b) the receipt of all required shareholder, third party and regulatory approvals in connection with the Acquisition, including the conditional approval of the listing of the Resulting Issuer Shares on the CSE ((a) and (b) together, the "**Escrow Release Conditions**"). Upon and subject to the receipt by the Subscription Receipt Agent of the Release Notice the Escrowed Proceeds shall be released to Blacklist and the holders of Subscription Receipts will be issued Blacklist Finco Shares, which are to be then exchanged for Resulting Issuer Shares upon completion of the Acquisition.

If the Escrow Release Conditions have not been satisfied, or Blacklist advises the Subscription Receipt Agent, or publicly announces, that it does not intend to satisfy the Escrow Release Conditions, prior to the Termination Time, holders of Subscription Receipts will be refunded the gross proceeds paid for the Subscription Receipts, plus any accrued interest.

Debenture Financing

Blacklist has also completed non-brokered private placements of convertible debentures of Blacklist (the "**Blacklist Debentures**") for total gross proceeds of approximately $4,969,408 (the "**Debenture Financing**"). The Blacklist Debentures bear interest at a rate of 0% per annum payable, maturing two years from the date of issuance, provided that if the Transaction is not completed then the Blacklist Debentures will no longer be convertible, will bear interest at a rate of 9.0%, accruing three months after the date of the termination of the Transaction, and mature one year from the date of issuance.

In accordance with terms of the Blacklist Debentures, the Blacklist Debentures are automatically convertible into Blacklist Shares at a conversion price of: (i) with respect to $735,000 of the Blacklist Debentures, $0.035 per Blacklist Share; (ii) with respect to $1,265,000 of the Blacklist Debentures, $0.25 per Blacklist Share; (iii) with respect to $1,250,000 of the Blacklist Debentures, $0.40 per Blacklist Share; and (iv) with respect to $1,719,408 of the Blacklist Debentures, $0.50 per Blacklist Share upon satisfaction or waiver of the conditions precedent to the Transaction, all upon and subject to the terms

and conditions set forth in the Blacklist Debenture. Each Blacklist Share will then be exchanged for one Resulting Issuer Share pursuant to the terms of the Transaction, as contemplated in the Share Exchange Agreement. The Blacklist Debentures are secured by a general security agreement.

Additional Financing

Blacklist has entered into a non-binding letter of intent with a lender whereby the lender would loan to Blacklist a $3.5 million at an annual interest rate of 17% (the "**Loan**"). The Loan would be due one year following the date the Loan is issued. Upon release of the Escrow Proceeds, Blacklist would immediately repay the Loan and all accrued and unpaid interest. In addition, upon full payment of the Loan, Blacklist would issue to such lender 1,500,000 non-transferable Blacklist Share purchase warrants (the "**Loan Warrants**"). Each Loan Warrant would be exercisable at $0.55 per Blacklist Share for a period of one year from the date of issuance. The Loan would be secured by a general security agreement and such security shall rank pari passu or in priority to the security interest held by certain Blacklist Debentureholders. Blacklist intends to close the financing by early February 2019. It is expected that upon closing of the Transaction, the Loan Warrants would represent only a right to purchase on exercise in accordance with its terms one Resulting Issuer Share per Loan Warrant at $0.55 per Zara Share. The term to expiry, conditions to and manner of exercise and other terms and conditions of the Loan Warrants would remain the same with respect to the right to purchase the Resulting Issuer Shares accordingly.

Consolidation

Prior to Closing, Zara will consolidate its issued and outstanding share capital at a ratio that results in approximately 332,000 new Zara Share. The Zara Shares to be issued in connection with the Transaction will be issued on a post-Consolidation basis.

Transaction Fees

In connection with the Transaction, Zara will issue 5,250,000 Resulting Issuer Shares to the Finders at a deemed price of $0.50 per Zara Share as finder's fees.

The Transaction is not a Related Party Transaction or Business Combination. As a result, the Transaction is not subject to MI 61-101.

Shareholder Approval

The policies of the CSE consider the Acquisition and Amalgamation to be a "fundamental change" as it is a major acquisition accompanied by a change of control. The CSE Policy requires that a "fundamental change" must be approved by the Shareholders prior to completion of the Transaction in order to qualify the Resulting Issuer Shares for listing. Accordingly, at the Meeting, Shareholders will be asked to consider the Acquisition Resolution to approve the Acquisition and Amalgamation.

To be effective, the Acquisition Resolution must be approved by at least 50% of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat.

Voting Support Agreements

Blacklist has entered into Voting Support Agreements with certain Shareholders (collectively, "**Supporting Shareholders**"). The Voting Support Agreements apply to approximately 31% of the outstanding Zara Shares in the aggregate (calculated on a non-diluted basis) as of the date hereof. Under the Voting Support Agreements, Supporting Shareholders have agreed to vote in favour of the Acquisition Resolution subject to the terms thereof. The Voting Support Agreements can be terminated by a Supporting Shareholder only in the event of the termination of the Share Exchange Agreement.

Effective Date of the Acquisition

If the Acquisition Resolution is passed, and all other conditions disclosed under *The Share Exchange — Conditions to Closing the Transaction and Required Approval* are satisfied or waived**,** the Transaction will become effective on a date determined by Blacklist and Zara. Zara and Blacklist currently expect that the Transaction will be completed by late March 2019.

Recommendation of the Zara Board

After careful considerations, the Zara Board has unanimously determined that the Transaction is fair to the Shareholders, and is in the best interests of Zara. The Zara Board unanimously recommends that Shareholders vote **FOR** the Acquisition Resolution.

Reasons for the Transaction and Recommendations

In making its recommendations, the Zara Board consulted with Zara's management and legal counsel and considered the Transaction with reference to the general industry, economic and market conditions as well as the financial condition of Zara, its prospects, strategic alternatives, competitive position and the risks related to Zara's ongoing financing requirements. The following includes forward-looking information and readers are cautioned that actual results may vary.

In making its determination and recommendations, the Zara Board considered and relied upon a number of substantive factors, including among others:

- *Alternative Option*. The Zara Board considered a number of alternatives to maximize the value of Zara Shares, and the Transaction represents the best alternative among the opportunities available to improve the ability of Zara to increase shareholder value. The Transaction is anticipated to enhance value for Shareholders through ownership in a company with growth potential.

- *Stronger Financial Position*. The Resulting Issuer is expected to have a stronger financial position and greater resources than Zara alone. See *Appendix C – Information Concerning the Resulting Issuer.*

- *Strong Management Ability and Skills*. The Resulting Issuer will have an experienced management team with a strong knowledge of the cannabis industry.

- *Negotiated Transaction*. The Share Exchange Agreement was the result of a comprehensive negotiation process with respect to the key elements of the Share Exchange Agreement, which includes terms and conditions that are reasonable in the judgment of the Zara Board.

- *Shareholder Approval* – The Acquisition Resolution must be approved by a majority approval required pursuant to the policies of the CSE. See *The Transaction - Shareholder Approval*.

- *Voting Agreements* – As of December 24, 2018, the Supporting Shareholders, who in the aggregate held approximately 31% of the outstanding Zara Shares on a non-diluted basis, have entered into the Voting Support Agreements pursuant to which they have agreed, among other things, to vote in favour of the Acquisition Resolution.

The Zara Board also considers a variety of risks and other potentially negative factors relating to the Transaction including those matters described under the heading *Risk Factors*.

In making its determination and recommendations, the Zara Board, in consultation with Zara's management and advisors, considered a number of potential issues regarding and risks (as described in greater detail under the heading *Risk Factors*) relating to the Transaction, including:

1. the risks to the Company and the Shareholders if the Transaction is not completed, including the costs to the Company in pursuing the Transaction and the diversion of the Company's management from the conduct of the Company's business in the ordinary course;

2. Zara may not have been able to verify the reliability of all information regarding Blacklist included in this Circular and information not known to Zara may result in unanticipated liabilities or expenses, or adversely affect the operation plans of the Resulting Issuer and its results of operations and financial condition;

3. Zara and Blacklist may fail to realize the anticipated benefits of the Transaction;

4. the Consolidation and the dilution effect on the interest of the Shareholders;

5. the conditions to Blacklist's obligations to complete the Transaction; and

6. the right of Blacklist to terminate the Transaction under certain circumstances.

The Zara Board's reasons for recommending the approval of the Acquisition Resolution include certain assumptions relating to forward-looking information, and such information and assumptions, are subject to various risks. The Zara Board believed that, overall, the anticipated benefits of the Transaction to Zara outweighed these risks and negative factors. See *Cautionary Notice Regarding Forward-Looking Statements* and *Risk Factors* in this Circular.

The foregoing summary of information and factors considered by the Zara Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Transaction, the Zara Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion and recommendation. Their recommendations were made after considering all of the above-noted factors and in light of the Zara Board's knowledge of the business, financial condition and prospects of Zara, and was also based on the advice of advisors. Individual directors may have assigned or given different weights to different factors. **The Zara Board was, however, unanimous in its determination that the Transaction is in the best interests of Zara and the Shareholders and in its recommendation that Shareholders vote <u>IN FAVOUR OF</u> the Acquisition Resolution.**

THE SHARE EXCHANGE AGREEMENT

On December 24, 2018, Zara, Blacklist, Blacklist Finco, Zara Subco and certain securityholders of Blacklist entered into the Share Exchange Agreement, pursuant to which and subject to the terms and conditions therein, Zara will acquire all of the issued and outstanding Blacklist Shares. Pursuant to the Acquisition, Blacklist Shareholders will receive one Zara Share for each Blacklist Share. Upon completion of the transactions contemplated by the Share Exchange Agreement, Blacklist Shareholders will become shareholders of Zara. The terms of the Share Exchange Agreement are the result of arm's-length negotiations between Zara and Blacklist with the assistance of their respective advisors.

The following is a summary of certain material terms of the Share Exchange Agreement. This summary does not contain all of the information about the Share Exchange Agreement. Therefore, Shareholders should read the Share Exchange Agreement carefully and in its entirety, as the rights and obligations of Zara and Blacklist are governed by the express terms of the Share Exchange Agreement and not by this summary or any other information contained in this Circular.

The Acquisition Resolution, if approved by the Shareholders, allows the Share Exchange Agreement to be amended by the directors of Zara at any time prior to the Closing Date. The parties to the Share Exchange Agreement expects that the Share Exchange Agreement shall be amended concurrently with the completion of the Loan to contemplate the Loan and the Loan Warrants. It is not

anticipated that additional Shareholder approval would be sought for any such variation, unless required by the CSE. Any such amendments will be filed on SEDAR under Zara's profile at www.sedar.com.

Certain capitalized terms used in this summary that are not defined in the *Glossary of Terms* have the meaning ascribed to them in the Share Exchange Agreement.

Share Exchange

Subject to the terms and conditions of the Share Exchange Agreement, and concurrently with the completion of the Amalgamation and the CSE Listing, at the Closing, the Blacklist Shareholders shall contribute to Zara, and Zara shall accept from the Blacklist Shareholders, all of the oustanding Blacklist Shares held by the Blacklist Shareholders at an exchange ratio of one Resulting Issuer Share for each Blacklist Share.

Upon conversion of the Debentures into Blacklist Shares immediately prior to the Closing upon satisfaction or waiver of the conditions precedent to Closing pursuant to the terms of the Debentures, the Blacklist Shares acquired shall form part of the Blacklist Shares to be acquired by Zara at the Closing and, at the Closing, the Blacklist Shares issued to the Debentureholders pursuant to the conversion of the Debentures will be exchanged for the Resulting Issuer Shares at the same exchange ratio provided the registered and beneficial owners of the Debentures agree to be bound by the Share Exchange Agreement.

The parties to the Share Exchange Agreement agree that no person who is not subject to the Share Exchange Agreement may acquire ownership (either registered or beneficial) of Blacklist Shares without first agreeing to be bound by the Share Exchange Agreement.

Conditions to Closing the Transaction and Required Approvals

The Transaction is subject to a number of approvals and conditions prior to its implementation, including, but not limited to the following:

(a) all the conditions precedent to the completion of the Amalgamation as set forth in the Amalgamation Agreement shall have been met other than the conditions precedent which are part of the Acquisition as outlined in the Share Exchange Agreement and the filing of the articles of amalgamation or other applicable documentation as may be required pursuant to corporate law;

(b) the Amalgamation shall be completed concurrently with the transactions contemplated in Share Exchange Agreement;

(c) the Consolidation shall have been completed and if necessary, approved by Zara Shareholders;

(d) there shall be no action taken under any applicable law by any court or government authority that makes it illegal or restrains, enjoins or prohibits the Transaction, results in the judgment or assessment of damages relating to the Transaction that is materially adverse to Zara or Blacklist or that could reasonably be expected to impose any condition or restriction upon Zara or Blacklist which, after giving effect to the Transaction, would so materially and adversely impact the economic or business benefits of the Transaction as to render inadvisable the consummation of the Transaction;

(e) there shall be no legislation (whether by statute, regulation, order-in-council, notice or ways and means motion, by-law or otherwise) enacted, introduced or tabled which, in the opinion of Zara or Blacklist, acting reasonably, adversely affects or may adversely affect the Transaction;

(f) the Closing Date shall be on or before the Termination Date;

(g) receipt of the approval of Zara Shareholders for the Transaction;

(h) receipt of executed consents from certain securityholders of Blacklist;

(i) none of Blacklist, the Blacklist Shareholders, Zara or Zara Subco having violated the covenants set out in the Share Exchange Agreement;

(j) the representations and warranties of Blacklist, Blacklist securityholders, Zara and Zara Subco are set forth in the Share Exchange Agreement remain true and correct in all respects (in the case of any representation or warranty containing any materiality or Material Adverse Effect qualifier) or in all material respects (in the case of any representation or warranty without any materiality or Material Adverse Effect qualifier), except as affected by the transactions contemplated by the Share Exchange Agreement;

(k) there shall not have been after the date of the Share Exchange Agreement any Material Adverse Effect with respect to the Corporation, Zara or Zara Subco;

(l) the Zara Board has not withdrawn or modified its recommendation to the Shareholders to vote in favour of the Acquisition Resolution;

(m) Zara will meet the minimum listing requirements, as outlined in Policy 2 Qualifications for Listing of the CSE;

(n) the election and appointment of certain directors and officers of the Resulting Issuer;

(o) all terms, conditions and covenants set forth in the Share Exchange Agreement having been compiled with or performed by the appropriate party; and

(p) the receipt of all necessary corporate, regulatory and third-party approvals including the approval of CSE, and compliance with all applicable regulatory requirements and conditions in connection with the Transaction.

Representations and Warranties

The Share Exchange Agreement contains representations and warranties made by and to Zara and Blacklist for the purposes of the Transaction (and not to other parties such as the Shareholders) and are subject to qualifications and limitations agreed to by the parties in connection with negotiating and entering into the Share Exchange Agreement. In addition, these representations and warranties were made as of specified dates, may be subject to a contractual standard of materiality different from what may be viewed as material to Shareholders, or may have been used for the purpose of allocating risk between the parties instead of establishing such matters as facts. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Share Exchange Agreement.

Zara has provided to Blacklist representations and warranties that include the following: organization and incorporation, reporting issuer, authority relative to the Share Exchange Agreement, capitalization, registration under the U.S. Exchange Act, foreign private issuer status, investment company status under the United States Investment Company Act of 1940, public documents, financial matters, finder's fees, operational matters, compliance with applicable laws, tax matters, material contracts, legal proceedings, insolvency, real property, no options on assets, licenses, private foreign investment company status, employee matters, corporate records, accuracy of books and records, mineral rights, environmental matters and Supporting Shareholders.

Zara Subco has provided to Blacklist representations and warranties that include the following: organization and incorporation, authority relative to the Share Exchange Agreement, capitalization, and that it has no assets or liabilities or any operations.

Blacklist has provided to Zara representations and warranties that include the following: incorporation and organization, authority relative to the Share Exchange Agreement, capitalization, financial matters, compliance with applicable laws, material contracts, legal proceedings, insolvency, real property, assets, tax matters, business, corporate records, accuracy of book and records, private company, cannabis-related matters and intellectual property.

Covenants

Covenants of Zara Relating to the Transaction

Zara agreed that it shall perform all obligations required or desirable to be performed by it under the Share Exchange Agreement and shall do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in the Share Exchange Agreement and without limiting the generality of the foregoing, among other things, Zara has covenanted in favour of Blacklist that:

(a) it will in a timely and expeditious manner:

(i) prepare, in consultation with Blacklist, the Listing Statement (and this Circular, if applicable) in prescribed form and in form and content acceptable to Blacklist, acting reasonably, and file the Listing Statement with the CSE in accordance with all applicable laws and the policies of the CSE;

(ii) recommend that the Shareholders vote in favour of the Acquisition Resolution and obtain the shareholder approval of Zara in a timely manner;

(iii) file and/or deliver any document or documents as may be required in order for the Transaction as contemplated herein to be effective; and

(iv) file and/or deliver any document or documents required pursuant to applicable laws and/or the rules and policies of the CSE in connection with the Transaction as contemplated in the Share Exchange Agreement after the Closing;

(b) ensure that the Listing Statement (and this Circular, if applicable) does not contain a misrepresentation as it relates to Zara, including in respect of its assets, liabilities, operations, business and properties;

(c) to make available and afford Blacklist and its authorized representatives and, if requested by Blacklist, provide a copy of all title documents, contracts, financial statements, minute books, share certificate books, if any, share registers, plans, reports, licences, orders, permits, books of account, accounting records, constating documents and all other documents, information and data relating to Zara;

(d) make application to the CSE and diligently pursue the approval of the Transaction and the CSE Listing;

(e) preserve and protect the CSE Listing;

(f) sell, transfer or otherwise dispose of all of its ownership and economic interests in the certain assets;

(g) conduct and operate its business and affairs only in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve its business organization, goodwill and material business relationships with other persons and, for greater certainty, other than in respect of the Transaction, it will not enter into any material transaction out of the ordinary course of business consistent with past practice without the prior consent of Blacklist, and Zara will keep Blacklist fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business, provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver could not be obtained;

(h) Zara Subco shall not have any business operations, other than in respect of the Transaction;

(i) except as may be necessary or desirable in order to effect the Transaction as contemplated hereunder, not alter or amend its notice of articles or articles as the same exist at the date of the Share Exchange Agreement;

(j) other than pursuant to the terms of the Share Exchange Agreement or the Amalgamation Agreement, not merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization or arrangement with, or transfer its undertaking or assets as an entirety or substantially as an entirety to, any other person or perform any act which would render inaccurate in any material way any of its representations and warranties set forth herein as if such representations and warranties were made at a date subsequent to such act and all references to the date of the Share Exchange Agreement were deemed to be such later date, except as contemplated in the Share Exchange Agreement, and without limiting the generality of the foregoing, it will not:

    (i) make any distribution by way of dividend, distribution of property or assets, return of capital or otherwise to or for the benefit of its shareholders;

    (ii) increase or decrease its paid-up capital or purchase or redeem any Zara Shares except in accordance with the terms of the Share Exchange Agreement and the Amalgamation Agreement; or

    (iii) issue or enter into any commitment to issue any of its shares or securities convertible into, or rights, warrants or options to acquire, any such shares, except in accordance with the terms of the Share Exchange Agreement and the Amalgamation Agreement;

(k) take all necessary corporate action and proceedings to approve and authorize the issuance of the Zara Shares to the securityholders of Blacklist and certain Resulting Issuer Shares to the Finders;

(l) take all necessary corporate action and proceedings to approve and authorize the Amalgamation and the issuance of the Zara Shares to the shareholders of Blacklist Finco in connection with the Amalgamation;

(m) not conduct negotiations with, or solicit, encourage, accept or approve any bids from any firm, person, corporation, or other entity, concerning a potential Alternative Transaction;

(n) not, directly or indirectly, negotiate or deal with any party other than Blacklist relating to an Alternative Transaction involving Zara or the acquisition by Zara of all or any part of the outstanding shares or assets or property of any other person, or solicit enquiries or provide information with respect to same;

(o) use its commercially reasonable efforts to maintain its status as a “reporting issuer” (as defined under applicable securities legislation), not in default of the Canadian Securities Laws of the Provinces of British Columbia Alberta, and Ontario;

(p) take all action necessary, including causing such meetings of directors and shareholders of Zara to be held (or if written director or shareholders resolutions are to be obtained, such resolutions to be signed) and, if required, use commercially reasonable efforts to solicit proxies in favour thereof, in order to effect the appointment of the director nominees of Blacklist to Zara's board of directors at or prior to Closing;

(q) except for contracts entered into pursuant to the terms of the Share Exchange Agreement and the Amalgamation, not enter into, cancel, fail to renew or terminate any contract or amend or modify in any material respect any of its existing contracts without the express written consent of Blacklist;

(r) not enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which Zara or any of its subsidiaries is or becomes a party after the date of the Share Exchange Agreement, without the express written consent of Blacklist;

(s) not incur any indebtedness for borrowed money or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, without the express written consent of Blacklist;

(t) not make or change any material tax election, settle or compromise any material tax liability of Zara or any of its subsidiaries, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of taxes of Zara any of its subsidiaries, enter into any closing agreement with respect to any material amount of taxes or surrender any right to claim a material tax refund, adopt or change any method of accounting with respect to taxes, or file any amended tax return, without the express written consent of Blacklist;

(u) not make or propose to make any loan to or enter into any transaction with any of the directors or executive officers of Zara or any of its subsidiaries or any affiliate thereof;

(v) maintain the books and records of Zara and its subsidiaries in material compliance with applicable legal and accounting requirements, so that such books and records accurately reflect in all material respects all dealings and transactions in respect of the business, assets, liabilities and affairs of Zara and its subsidiaries;

(w) complete the Consolidation prior to the Closing Date;

(x) ensure that the Zara Option Plan is effective at the time of Closing;

(y) ensure that any outstanding preferred shares are redeemed or converted and that no preferred shares remain outstanding at the time of Closing;

(z) change the name of Zara to "Ionic Brands Corp."; and

(aa) not to authorize, sell or issue, or negotiate or enter into an agreement to sell or issue, any securities of Zara (including those that are convertible or exchangeable into securities of Zara), other than as contemplated under the Share Exchange Agreement (including the issuance of securities under the Amalgamation and issuance of certain Resulting Issuer Shares to the Finders) or pursuant to the exercise or conversion of share purchase warrants, options or convertible securities of Zara outstanding as of the date hereof.

Covenants of Blacklist Relating to the Transaction

The Share Exchange Agreement provides that Blacklist shall perform all obligations required or desirable to be performed by it under the Share Exchange Agreement and shall do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Share Exchange Agreement and, without limiting the generality of the foregoing, among other things, Blacklist shall:

(a) in a timely and expeditious manner, assist Zara in the preparation of the Listing Statement (and this Circular, if applicable) with respect to the Transaction, including providing such information in relation to the business, affairs, assets and properties of Blacklist as may be necessary to comply with applicable laws and the policies of the CSE;

(b) ensure that the Listing Statement (and this Circular, if applicable) does not contain a misrepresentation as it relates to Blacklist, including in respect of its assets, liabilities, operations, business and properties;

(c) to make available and afford Zara and its authorized representatives and, if requested by Zara, provide a copy of all title documents, contracts, financial statements, minute books, share certificate books, if any, share registers, plans, reports, licences, orders, permits, books of account, accounting records, constating documents and all other documents, information and data relating to Blacklist;

(d) except for non-substantive communications, and provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver cannot be obtained (provided that in such circumstance Blacklist will be required to disclose that information has been withheld on this basis), furnish promptly to Zara a copy of each notice, report, schedule or other document or communication delivered, filed or received by Blacklist in connection with or related to the Transaction, any filings under applicable laws and any dealings with any Governmental Entity in connection with or in any way affecting the Transaction as contemplated herein (other than in respect of an Alternative Transaction, in which case a summary of the material terms may be provided);

(e) use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations set forth in the Share Exchange Agreement to the extent the same are within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Transaction, including using commercially reasonable efforts to:

    (i) obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases, licenses, agreements and other contracts;

    (ii) effect all necessary registrations and filings and submissions of information requested by any Governmental Entity required to be effected by it in connection with the Transaction and participate and appear in any proceedings of either Blacklist or Zara before any Governmental Entity to the extent permitted by such authorities; and

    (iii) fulfill all conditions and satisfy all provisions of the Share Exchange Agreement and the Transaction;

(f) subject to applicable laws or as authorized by the Share Exchange Agreement, not take any action, refrain from taking any action, or permit any action to be taken or not taken inconsistent with the Share Exchange Agreement or which would reasonably be expected to significantly impede the consummation of the Transaction;

(g) conduct and operate its business and affairs only in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve its business organization, goodwill and material business relationships with other persons and, for greater certainty, it will not enter into any material transaction out of the ordinary course of business consistent with past practice without the prior consent of Zara, and Blacklist will keep Zara fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business, provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver could not be obtained;

(h) except as may be necessary or desirable in order to effect the Transaction as contemplated hereunder, not alter or amend its articles or bylaws as the same exist at the date of the Share Exchange Agreement;

(i) other than pursuant to the terms of the Share Exchange Agreement and the Amalgamation Agreement, not merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization or arrangement with, or transfer its undertaking or assets as an entirety or substantially as an entirety to, any other person or perform any act which would render inaccurate in any material way any of its representations and warranties set forth herein as if such representations and warranties were made at a date subsequent to such act and all references to the date of the Share Exchange Agreement were deemed to be such later date, except as contemplated in the Share Exchange Agreement, and without limiting the generality of the foregoing, it will not:

(i) make any distribution by way of dividend, distribution of property or assets, return of capital or otherwise to or for the benefit of its shareholders;

(ii) increase or decrease its paid-up capital or purchase or redeem any shares; or

(iii) other than the Blacklist Warrants, and the issuance of Blacklist Shares to any brokers and/or finders in connection with services provided to the Blacklist or Blacklist Finco, issue or enter into any commitment to issue any of its shares or securities convertible into, or rights, warrants or options to acquire any such shares;

(j) not directly or indirectly, negotiate or deal with any party other than with Zara relating to the sale or disposition of any part of the outstanding Blacklist Shares or assets of Blacklist, or solicit enquiries or provide information with respect to same. Notwithstanding the foregoing, nothing contained in the Share Exchange Agreement shall be interpreted to extend to the acts or omissions of any person acting in his or her capacity as a director or officer of Blacklist or otherwise to fetter the proper exercise of discretion of such person. In addition, nothing contained in the Share Exchange Agreement will prohibit, prevent or restrict Blacklist from furnishing or from providing information in respect of or otherwise responding to or engaging in discussions or negotiations in respect of, an unsolicited Alternative Transaction not resulting from a breach of Section 13.1(j) of the Share Exchange Agreement or the directors of Blacklist, in the fulfilment of their fiduciary duties, from supporting or facilitating any such unsolicited Alternative Transaction, or Blacklist from completing any such Alternative Transaction, or entering into a definitive and binding agreement to effect such an Alternative Transaction, if directors of Blacklist determine in good faith, after consultation, to the extent considered appropriate by the directors, with its financial and legal advisors, that such unsolicited Alternative Transaction constitutes, or could reasonably be expected to lead to or result in, a transaction that would, if consummated in accordance with its terms, be more favourable to Blacklist or the securityholders of Blacklist than the Transaction provided, however, that prior to taking such action, the directors of Blacklist shall have concluded, after considering applicable laws, and receiving advice of outside counsel that such action would be a proper exercise of its fiduciary duties, or is otherwise required under, applicable laws, that it is appropriate that the directors take such action in order to properly discharge their fiduciary duties or that such action is otherwise required under applicable laws;

(k) use commercially reasonable efforts to use not less than 15% of the aggregate net proceeds from the sale of the Blacklist Debentures towards investor relations and shareholder communication activities mutually agreeable between Blacklist and Zara, each acting reasonable;

(l) take all necessary corporate action and proceedings to approve and authorize the valid and effective transfer of the Blacklist Shares to Zara; and

(m) following the Transaction, cause Blacklist to continue its historic business or use a significant portion of its historic business assets in a business within the meaning of Treasury Regulations promulgated under Section 368 of the Code.

Treatment of Blacklist Warrants and Blacklist Debentures

At Closing, Zara will expressly assume the provisions of each of the outstanding Blacklist Warrant by executing supplemental warrant certificates which will provide that holder of such Blacklist Warrant shall be entitled to receive Zara Shares in lieu of Blacklist Shares upon the exercise of the Blacklist Warrants.

Termination

The Share Exchange Agreement may be terminated at any time before the Closing:

(a) by mutual written consent of all the parties to the Share Exchange Agreement;

(b) by either Blacklist or Zara if the Closing shall not have been consummated on or prior to the Termination Date, without liability to the terminating party on account of such termination; provided that the right to terminate the Share Exchange Agreement pursuant to Section 16.1(b) of the Share Exchange Agreement shall not be available to a party whose breach or violation of any representation, warranty, covenant, obligation or agreement under the Share Exchange Agreement has been the cause of or has resulted in the failure of the Closing to occur on or before such date;

(c) by Zara, if there has been a material breach by Blacklist or the securityholders of Blacklist of any representation, warranty, covenant or agreement set forth in the Share Exchange Agreement or any of the documents contemplated hereby which breach would result in the failure to satisfy one or more of the conditions set forth in the Share Exchange Agreement which Blacklist or the securityholders of Blacklist, as applicable, fails to cure within ten (10) Business Days after written notice thereof is given by Zara;

(d) by Blacklist if there has been a material breach by Zara of any representation, warranty, covenant or agreement set forth in the Share Exchange Agreement or any of the documents contemplated hereby which breach would result in the failure to satisfy one or more of the conditions set forth in the Share Exchange Agreement that Zara fails to cure within ten (10) Business Days after written notice thereof is given by Blacklist;

(e) by Blacklist or Zara, if Blacklist completes an Alternative Transaction or enters into a definitive and binding agreement to effect an Alternative Transaction; and

(f) by any party, if any permanent injunction or other order of a court or other competent authority preventing the Closing shall have become final and nonappealable; provided, however, that no party shall be entitled to terminate the Share Exchange Agreement if such party's material breach of the Share Exchange Agreement or any of the documents contemplated hereby has resulted in such permanent injunction or order.

Amendment

The Share Exchange Agreement may be amended or modified only by a written instrument executed by the parties to the Share Exchange Agreement affected thereby, or by their respective successors and permitted assigns.

SECURITIES LAWS CONSIDERATIONS

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or business advice to any particular Shareholder. This summary does not include any information regarding securities law considerations for jurisdictions other than Canada and the United States. Shareholders are urged to obtain independent advice in respect of the consequences to them of the Transaction having regard to their particular circumstances.

The following is a brief summary of the Canadian Securities Laws considerations applicable to the Transaction and the transactions contemplated thereby.

Canadian Securities Laws

Zara is a reporting issuer in British Columbia, Alberta and Ontario. Zara Shares currently trade on the CSE.

The Zara Shares to be issued in exchange for Blacklist Shares pursuant to the Transaction will be issued in reliance upon exemptions from the prospectus requirements of securities legislation in each province and territory of Canada. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares that constitute "control distributions", Zara Shares issued pursuant to the Transaction will be freely tradeable and may be resold in each province and territory in Canada.

United States Securities Law Matters

The Zara Shares to be received by holders of Blacklist Shares in exchange for their Blacklist Shares pursuant to the Transaction have not been and will not be registered under the U.S. Securities Act or any state securities laws, and such securities will be issued in reliance upon exemptions from the registration requirements of the U.S. Securities Act set forth in: (a) Rule 903 of Regulation S under the U.S. Securities Act for holders of Blacklist Shares who are not in the United States and who are not acquiring the Zara Shares for the account or benefit of a person in the United States; and (b) Rule 506(b) of Regulation D under the U.S. Securities Act for holders of Blacklist Shares who are in the United States.

All of the Zara Shares to be received by holders of Blacklist Shares who are in the United States or are acquiring the Zara Shares in exchange for their Blacklist Shares pursuant to the Transaction for the account or benefit of a person in the United States will be "restricted securities", as such term is defined in Rule 144(a)(3) under the U.S. Securities Act, and consequently the Zara Shares acquired by such holders may not be offered, sold, pledged, or otherwise transferred, directly or indirectly, without prior registration under the U.S. Securities Act and applicable state securities laws, except:

(i) to Zara;

(ii) outside the United States in an "offshore transactions" meeting the requirements of either Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act, if available, and in compliance with applicable local laws and regulations; or

(iii) pursuant to an effective registration statement under the U.S. Securities Act and in compliance with any applicable state securities laws in the United States or securities laws of any applicable jurisdiction; or

(iv) pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144A thereunder to a person reasonably believed to be a "Qualified Institutional Buyer" (as defined in Rule 144A) that is purchasing for its own account or the account of one or more Qualified Institutional Buyers and to whom notice is given that the transfer is being made in reliance upon Rule 144A, and in accordance with any applicable state securities or "Blue Sky" laws; or

(v) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws governing the offer and sale of securities,

and, in the case of (v) above, the holder has prior to such sale furnished to Zara an opinion of counsel in form and substance reasonably satisfactory to Zara stating that such transaction is exempt from registration under applicable securities laws and that the restricted legend referred to below may be removed.

All of the certificates representing the Zara Shares issued to the holders of Blacklist Shares who are in the United States, or are acquiring the Zara Shares for the account or benefit of a person in the United States, as well as all certificates issued in exchange for or in substitution of the foregoing, until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws and regulations, will bear, on the face of such certificate, the following legend:

> **"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE ISSUER, (B) OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT AND IS AVAILABLE FOR RESALE OF THE SECURITIES, OR (D) IN ACCORDANCE WITH (1) RULE 144A UNDER THE U.S. SECURITIES ACT, IF AVAILABLE, OR (2) ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, PROVIDED THAT, IN THE CASE OF (D)(2) ABOVE OR IF OTHERWISE REQUIRED BY THE ISSUER, AN OPINION OF COUNSEL OF RECOGNIZED STANDING REASONABLY SATISFACTORY TO THE ISSUER, IS PROVIDED. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA."**

INTERESTS OF DIRECTORS AND EXECUTIVE OFFICERS OF ZARA IN THE TRANSACTION

The directors and executive officers of Zara may have interests in the Transaction that are, or may be different from, or in addition to, the interests of other Shareholders. These interests include those described below. The Board was aware of these interests and considered them, among other matters, when recommending approval of the Transaction by Shareholders.

Zara Shares

In connection with the Acquisition, the directors and executive officers of Zara, who as of the date hereof, do not own or exercise control or direction over, any Zara Shares.

Blacklist Shares

In connection with the Amalgamation, Kenneth Cotiamco, Interim CEO and Director of Zara, holds 50,000 Subscription Receipts of Blacklist Finco, which are convertible to Blacklist Finco Shares

upon the occurrence of the Escrow Release Conditions, with each such Blacklist Finco Share to be then immediately exchanged in accordance with the terms of the Amalgamation Agreement at an exchange ratio of one Blacklist Finco Share for one post-Consolidation Resulting Issuer Share.

RISK FACTORS

Completion of the Transaction is subject to certain risks. In addition to the risk factors described in each of the Zara MD&A, which is specifically incorporated by reference into this Circular and the Blacklist MD&A, attached hereto as Schedule A to Appendix C, and the risk factors described in Appendix D, the following are additional and supplemental risk factors which Shareholders should carefully consider before making a decision to approve the Acquisition Resolution. Readers are cautioned that such risk factors are not exhaustive.

Zara and Blacklist may not satisfy all regulatory requirements or obtain the necessary approvals for completion of the Transaction on satisfactory terms or at all

Completion of the Transaction is subject to the satisfaction of certain regulatory requirements and the receipt of all necessary regulatory, the Shareholder approval of the Acquisition Resolution and the approval of the CSE. There can be no certainty, nor can either party provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a Material Adverse Effect on the business and affairs of Blacklist, or the trading price of Zara Shares, after completion of the Transaction. Moreover, if the Share Exchange Agreement is terminated, there is no assurance that the Zara Board will be able to find another transaction to pursue.

The market price for Zara Shares may decline

If the Acquisition Resolution is not approved by the Shareholders, the market price of the Zara Shares may decline to the extent that the current market price of the Zara Shares reflects a market assumption that the Transaction will be completed. If the Acquisition Resolution is not approved by the Shareholders, and the Zara Board decides to seek another business combination, there can be no assurance that Zara will be able to find a transaction as attractive to Zara as the Transaction.

Blacklist and Zara expect to incur significant costs associated with the Transaction

Blacklist and Zara will collectively incur significant direct transaction costs in connection with the Transaction. Actual direct transaction costs incurred in connection with the Transaction may be higher than expected. In addition, certain of Blacklist's and Zara's costs related to the Transaction, including legal, financial advisory services, accounting, printing and mailing costs, must be paid even if the Transaction is not completed.

If the Transaction is not completed, Zara's future business and operations could be harmed

If the Transaction is not completed, Zara may be subject to a number of additional material risks, including the following:

- Zara may have lost other opportunities that would have otherwise been available had the Share Exchange Agreement not been executed, including, without limitation, opportunities not pursued as a result of affirmative and negative covenants made by it in the Share Exchange Agreement, such as covenants affecting the conduct of its business outside the ordinary course of business; and

- Zara may be unable to obtain additional sources of financing or conclude another sale, merger or amalgamation on as favourable terms, in a timely manner, or at all.

Zara has not verified the information regarding Blacklist included in, or which may have been omitted from, this Circular

All historical information regarding Blacklist contained in this Circular, including all Blacklist financial information, has been provided by Blacklist. Although Zara has no reason to doubt the accuracy or completeness of such information, any inaccuracy or material omission in the information about or relating to Blacklist contained in this Circular could result in unanticipated liabilities or expenses, increase the cost of integrating the companies or adversely affect the operational plans of Blacklist and its results of operations and financial condition.

Blacklist may complete additional financing prior to Closing

Blacklist will require equity and/or debt financing to support on-going operations or to undertake capital expenditures prior to Closing. There can be no assurance that additional financing will be available to Blacklist when needed or on terms which are acceptable. If additional funds are raised through further issuances of equity or convertible debt securities, such issuance of securities by Blacklist shall be assumed by the Resulting Issuer following Closing. Existing shareholders could suffer significant dilution.

GENERAL PROXY INFORMATION

Solicitation of Proxies

Solicitations will be made by mail and possibly supplemented by telephone, electronic means or other personal contact to be made without special compensation by directors, officers and employees of the Company. The Company may reimburse shareholders' nominees or agents for the cost incurred in obtaining from their principals authorization to execute forms of proxy.

No person has been authorized to give any information or to make any representation other than as contained in this Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by the Company. The delivery of this Circular shall not create, under any circumstances, any implication that there has been no change in the Information set forth herein since the date of this Circular. This Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

Record Date

The directors of Zara have fixed January 22, 2019 as the Record Date for the determination of Shareholders entitled to receive notice of the Meeting. Shareholders of record on that date are entitled to vote at the Meeting.

Appointment of Proxyholder

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Those shareholders so desiring may be represented by proxy at the Meeting. The persons named in the form of proxy accompanying this Circular are directors and/or officers of the Company ("**Management Appointees**"). **A shareholder has the right to appoint a person or company (who need not be a shareholder) to attend and act on the shareholder's behalf at the Meeting other than the Management Appointees**. To exercise this right, the shareholder must either insert the name of the desired person in the blank space provided in the form of proxy accompanying this Circular and strike out the names of the Management Appointees or submit another proper form of proxy.

Voting by Proxyholder

The Management Appointees named in the Proxy will vote or withhold from voting the Zara Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Zara Shares will be voted accordingly. The Proxy confers discretionary authority on the Management Appointees named therein with respect to:

(a) each matter or group of matters identified therein for which a choice is not specified,

(b) any amendment to or variation of any matter identified therein; and

(c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the Management Appointee acting as a proxyholder will vote in favour of each matter identified on the Proxy, including FOR the approval of the Acquisition Resolution as described in this Circular.

Registered Shareholders

Whether or not they are able to attend the Meeting in person, Registered Shareholders may wish to vote by proxy by completing, dating and signing the enclosed proxy and return it to Zara's registrar and transfer agent, RST by mail to 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7 (Attention: Proxy Department) by 5:00 p.m. (Eastern Time) on February 28, 2019 or forty-eight hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment or postponement thereof at which the enclosed proxy is to be used. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

Non-Registered (Beneficial) Shareholders

Only Registered Shareholders whose names appear on the records of the Company or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are not registered shareholders because the shares they own are not registered in their names. More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (a "**Beneficial Holder**") but which are registered either (a) in the name of an intermediary (an "**Intermediary**") that the Beneficial Holder deals with in respect of the shares including, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans; or (b) in the name of a clearing agency such as CDS of which the Intermediary is a participant. In accordance with securities regulatory policy, the Company has distributed copies of the Notice of Meeting, this Circular and the form of proxy accompanying this Circular (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries.

Current securities regulatory policy requires Intermediaries to forward the Meeting Materials to, and to seek voting instructions from, Beneficial Holders unless a Beneficial Holder has waived the right to receive them. Intermediaries will often use service companies to forward the Meeting Materials to Beneficial Holders. Generally, Beneficial Holders who have not waived the right to receive Meeting Materials will either:

(a) Be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Beneficial Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Beneficial Holder when submitting the proxy. In this case, the Beneficial Holder who wishes to submit a proxy should otherwise properly complete

this form of proxy and **submit it to the Company, c/o Reliable Stock Transfer Inc., Proxy Department, 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7;** or

(b) more typically, be given a voting instruction or proxy authorization form **which is not signed by the Intermediary,** and which, when properly completed and signed by the Beneficial Holder and **returned to the Intermediary or its service company**, (such as Broadridge Financial Solutions Inc.), will constitute voting instructions (often called a "proxy authorization form") which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for this proxy form to validly constitute a proxy authorization form, the Beneficial Holder must remove the label from the instructions and affix it to the proxy form, properly complete and sign the proxy form and return it to the Intermediary or its service company, or otherwise communicate voting instructions to the Intermediary or its service company (by way of telephone or the Internet, for example) in accordance with the instructions of the Intermediary or its service company. **A Beneficial Holder cannot use a proxy authorization form to vote shares directly at the Meeting.**

In either case, the purpose of this procedure is to permit Beneficial Holders to direct the voting of the shares which they beneficially own.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Zara Shares registered in the name of its Intermediary, he or she may attend the Meeting as a proxyholder for the Registered Holder and vote his or her Zara Shares in that capacity. Should a Beneficial Shareholder wish to vote at the Meeting in person, it should enter its own name in the blank space on the form of proxy or voting information form provided to the Beneficial Shareholder and return the document to its Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting.

Beneficial Shareholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their shares voted at the Meeting.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Registered Shareholder or the Registered Shareholder's attorney authorized in writing, or if the Registered Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof, and upon either of such deposits the proxy is revoked.

Only Registered Shareholders have the right to revoke a proxy. Beneficial Holders who wish to change their vote must arrange for their Intermediaries to revoke the proxy on their behalf.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares without par value. As at January 22, 2019, there were 11,934,073 Zara Shares issued and outstanding without par value that are entitled to be voted at the Meeting. The directors have determined that all Shareholders of record as of January 22, 2019 will be entitled to receive notice of and to vote at the Meeting.

At the Meeting, on a show of hands, every Registered Shareholder present in person and entitled to vote and every proxyholder duly appointed by a Registered Shareholder who would have been entitled to vote shall have one vote and, on a poll, every Registered Shareholder present in person or represented by proxy or other proper authority and entitled to vote shall have one vote for each Zara Share of which such shareholder is the registered holder. Shares represented by proxy will only be voted as to the number of Zara Shares represented if a poll or ballot is called for. A poll or ballot may be requested by a Registered Shareholder or proxyholder present and entitled to vote at the Meeting or required because the number of votes attached to Zara Shares represented by proxies that are to be voted against a matter is greater than 5% of the votes attached to all Zara Shares that are entitled to be voted and to be represented at the Meeting.

To the knowledge of the directors and executive officers of the Company, as at the date of this Circular, the only person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the outstanding voting rights of the Company is:

Shareholder Name	Number of Zara Shares Held	Percentage of Issued Zara Shares
Chandaria Family Holdings Inc.	1,652,165	13.8%

INFORMATION CONCERNING ZARA

Zara was incorporated under the OBCA on October 9, 2012 under the name “Zara Resources Inc.” and continued under the BCBCA on July 3, 2013. Zara is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Zara Shares are listed for trading on the CSE under the symbol “ZRI”.

The address of Zara’s registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7 and its head office is located at Suite 488 – 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

Zara has one wholly-owned subsidiary, 1185669 B.C. Ltd. that was incorporated under the BCBCA on November 5, 2018.

General Development of the Business

Zara was initially focused on the acquisition, evaluation and exploration of mineral resource properties, but in 2017 Zara decided to seek potential opportunities in different sectors to increase shareholder value.

On January 7, 2013, the Issuer acquired 100% of 28 Pigeon River claims located in Ontario (the “**Pigeon River Property**”) from Pele Mountain Resources Inc. (“**Pele**”) for a purchase price of $700,000. The purchase price was paid by the issuance of 225,000 Zara Shares at a fair value of $1.00 per share and 475,000 non-voting 5% convertible Series B preferred shares of the Issuer at a fair value of $1.00 per share. The Pigeon River Property is also subject to a 2% net smelter return royalty of which 0.5% is granted to Pele and 1.5% is granted to 2212150 Ontario Inc. (operating as Vanex Exploration). During the year ended July 31, 2014, management made the decision to abandon 20 of the Pigeon River claims.

During the year ended July 31, 2015, the Issuer allowed seven out of eight claims to lapse. On April 10, 2015, the Issuer sold a 25% interest in its Pigeon River Property mining claim to Hadley Mining Inc. for the sum of $9,000. On January 19, 2016, the Issuer sold a 25% interest in its Pigeon River mining claim to Winston Resources Inc. for the sum of $9,000. The Issuer now has a 50% interest in Pigeon River Property which consists of a single mining claim.

On April 21, 2013, Zara acquired a license to explore the Forge Lake Gold Project located 32km northwest of Wawa, Ontario (the "**Forge Lake Property**") from Hudson River Minerals Ltd. ("**HRM**") for $583,010. HRM was a party to a Mineral Exploration Agreement with 3011650 Nova Scotia Ltd. dated November 1, 2011 and on April 21, 2013, HRM assigned all its rights and interest under the Mineral Exploration Agreement to Zara. During the year ended July 31, 2015, management determined that the Issuer did not have the financing to further the Forge Lake Property.

On April 13, 2017 Zara announced that it had entered into a definitive agreement for the acquisition by Zara of all the issued share capital of the electric car business Fox Automotive Switzerland AG, Magnum Pirex AG and its subsidiary Magnum Courb SAS (the "**Fox Agreement**"). The terms of the Fox Agreement were subsequently modified to remove Magnum Pirex AG and its subsidiary Magnum Courb SAS as part of the acquisition under the Fox Agreement.

On September 19, 2017, Zara signed a letter of intent which defines the essential terms under which the parties, subsequent to and conditional upon the closing of the Fox Agreement, intended to enter into a definitive agreement for the acquisition by Zara of all the issued and outstanding shares of Magnum Korea Ltd. (the "**Magnum LOI**").

Zara announced on February 6, 2018 that it would no longer proceed with the acquisition of all the issued and outstanding shares of Fox Automotive Switzerland AG and has terminated the Fox Agreement. In addition, the Issuer announced that it would not proceed with the acquisition of Magnum Korea Ltd. pursuant to a Magnum LOI.

Selected Consolidated Financial Information

The following table summarizes financial information of Zara for the last three completed financial years ended July 31, 2018, 2017 and 2016 and the three month period ended October 31, 2018. This summary financial information should only be read in conjunction with the Zara Annual Financial Statements and the Zara Interim Financial Statements, including the notes thereto.

	For the three month period ended	**For the Year Ended July 31,**		
Operating Data:	**October 31, 2018**	**2018**	**2017**	**2016**
Total revenues	Nil	Nil	Nil	Nil
Total G&A expenses	Nil	463	1,325	5,862
Net loss from operations	(17,353)	(45,476)	(21,092)	(78,903)
Basic and diluted loss per share (1)	(0.00)	(0.00)	(0.00)	(0.02)
Balance Sheet Data:				
Total assets	3,299	2,518	26,142	26,429
Total long-term liabilities	100,000	100,000	100,000	100,000

Note:

(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

A copy of the Zara Annual Financial Statements and the Zara Interim Financial Statements previously filed with applicable securities commissions are available on Zara's SEDAR profile at www.sedar.com.

The summary of quarterly results for each of the eight most recently completed quarters preceding the date of this Circular:

Summary of quarterly results	Q1 2019 $	Q4 2018 $	Q3 2018 $	Q2 2018 $	Q1 2018 $	Q4 2017 $	Q3 2017 $	Q2 2017 $
Total revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss from operations	(17,353)	(32,368)	(3,980)	(4,107)	(5,021)	(9,824)	(4,052)	45,905
Basic and diluted loss per share (1)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Note:
(1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

Copies of the respective unaudited interim financial statements for the periods listed above for Zara are available on Zara' SEDAR profile at www.sedar.com.

Dividends

Zara does not have a formal dividend policy. The Series A preferred shares, Series B preferred shares and Series C preferred shares are subject to cumulative dividends at the rate of 5% per annum, which is payable in Zara Shares based upon the prevailing market price of the Zara Shares.

During the year ended July 31, 2018, Zara issued 603,820 Zara Shares to holders of Series A preferred shares, Series B preferred shares and Series C preferred shares to settlement accumulated dividends owed to such holders.

Price Range and Trading Volume Data

Zara Shares are listed and trade on the CSE under the symbol "ZRI". On December 24, 2018, the last trading day prior to the announcement of entering into of the Share Exchange Agreement, the closing share price of the Zara Shares on the CSE was $0.07. The following table summarizes the high and low prices and volume of trading of Zara Shares on the CSE for each of the periods indicated:

Date	High ($)	Low ($)	Volume (no. of Zara Shares)
January 1 to 24	0.07	0.07	0
December 2018[(1)]	0.07	0.07	331
November 2018	0.09	0.07	4,120
October 2018	0.09	0.09	527
September 2018	0.20	0.07	148,752
August 2018	0.20	0.135	141,926
July 2018	0.12	0.12	48
June 2018	0.21	0.12	36,551
May 2018	0.22	0.105	10,250
April 2018	0.15	0.105	120,150
March 2018	0.24	0.15	29,420
February 2018	0.23	0.08	954,890
January 2018	0.15	0.15	0

Note:
(1) Trading of the Zara Shares has been halted since December 27, 2018.

Prior Sales

For the 12-month period before the date of this Circular, Zara issued nil common shares in the capital of Zara.

INFORMATION CONCERNING BLACKLIST

For information regarding Blacklist, please refer to Appendix C.

INFORMATION CONCERNING THE RESULTING ISSUER

For further information regarding Zara and Blacklist upon completion of the Transaction, please refer to Appendix D.

ANNUAL GENERAL MEETING MATTERS AND OTHER MATTERS

Votes Necessary to Pass Resolutions

A majority of affirmative votes cast by Shareholders present in person or by proxy at the Meeting is required to elect directors, to appoint auditors, to approve the Zara Option Plan and to approve the Acquisition.

The approval and confirmation of Zara Articles will require the affirmative vote of at least 66⅔% of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, voting together as a single class.

If there are more nominees for election as directors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all nominees will be declared elected or appointed by acclamation.

Appointment and Remuneration of Auditor

Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants, of 1500 – 1140 West Pender Street, Vancouver, British Columbia V6E 4G1, will be nominated at the Meeting for re-appointment as auditor of the Company to hold office until the next annual general meeting of shareholders, at a remuneration to be fixed by the directors. The Board resolved that Abraham Chan LLP not be proposed for reappointment as the auditor of the Company. Dale Matheson Carr-Hilton LaBonte LLP was first appointed auditor of the Company for the financial year ended July 31, 2018, replacing Abraham Chan LLP on February 13, 2018.

There have been no reportable disagreements between the Company and Abraham Chan LLP and no qualified opinions or denials of opinion by Abraham Chan LLP for the purposes of National Instrument 51-102. A copy of the Company's Change of Auditor Reporting Package with respect to the termination of Abraham Chan LLP and appointment of Dale Matheson Carr-Hilton LaBonte LLP, as auditor of the Company (including the Notice of Change of Auditor, a letter from Abraham Chan LLP and a letter from Dale Matheson Carr-Hilton LaBonte LLP) is attached as Appendix F to this Circular.

At the Meeting, Shareholder shall be called upon to appoint Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants, as auditors of the Company, to hold office until the next Annual General Meeting of Shareholders, and to authorize the directors to fix their remuneration.

The Board unanimously recommends that the Shareholders vote for the appointment of Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants, as auditors of the Company, to

hold office until the next Annual General Meeting of Shareholders, and to authorize the directors to fix their remuneration.

Election of Directors

At the Meeting, Shareholders of the Company will be asked to fix the number of directors of the Company at six.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director's office is earlier vacated in accordance with the provisions of the BCBCA, each director elected will hold office until the conclusion of the next annual meeting of the Company or, if no director is then elected, until a successor is elected.

The Company expects that upon completion of the Transaction all of the directors of the Company will resign and be replaced by John Gorst, Andrew Schell, Bryen Salas, Christian Struzan, Austin Gorst, Carrol Benton and Brian Lofquist. See Appendix D – Information Concerning the Resulting Issuer under the section *Governance and Management of the Resulting Issuer*.

Nominees

The following disclosure sets out the names of management's four nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Company and the number of Zara Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the Record Date.

Nominee Position with the Company and Residence	Principal Occupation, Business or Employment for Last Five Years	Period as a director of the Company	Zara Shares Beneficially Owned or Controlled[(1)]
Kenneth Cotiamco Interim CEO and Director British Columbia, Canada	Managing Director, Institutional Sales, of Skanderbeg Capital Advisors Inc. from 2018 to present; Investment Specialist of Scotiabank from April 2015 to December 2018; Investment Advisor of Leede Financial Markets Inc. from January 2008 to May 2014.	Since September 13, 2018	Nil
Emmery (Yee Lun) Wang[(2)] CFO and Director British Columbia, Canada	Chartered Accountant, AB&T Consulting Inc. from November 2014 to present.	Since September 13, 2018	Nil
Jonathan Yan Director British Columbia, Canada	Associate Consultant of Skanderbeg Financial Advisory Inc. from 2015 to present; Associate at PricewaterhouseCoopers from January 2013 to July 2015.	Since September 13, 2018	Nil

Nominee Position with the Company and Residence	Principal Occupation, Business or Employment for Last Five Years	Period as a director of the Company	Zara Shares Beneficially Owned or Controlled[1]
Kevin Ma[2] Proposed Director British Columbia, Canada	Partner, Calibre Capital Corp. from September 2018 to present; Principal and Founder of Skanderbeg Financial Advisory Inc. from October 2015 to present; CFO of Kenadyr Mining (Holdings) Corp. from March 2017 to present; CFO of Chakana Copper Corp. from March 2018 to present; CFO of First Cobalt Corp. from December 2016 to October 2018; Director of Carl Data Solutions Inc. from June 2017 to present, Director of Molori Energy Inc. from April 2016 to present; Director of Innovative Properties Inc. from November 2017 to present; and CFO and Director of Netcoins Holdings Inc. from March 2018 to present.	Proposed	Nil
Alex Tong[2] Proposed Director British Columbia, Canada	Partner, Calibre Capital Corp. from September 2018 to present; Director of Finance at Lucara Diamonds Corp. from September 2012 to August 2018; Controller of Novagold Resources Inc. from 2009 to 2012.	Proposed	Nil
Lisa Yee Proposed Director British Columbia, Canada	Chartered Accountant, Financial Analyst with Fraser Health Authorities November 2012 to present.	Proposed	Nil

Notes:

(1) The information as to Zara Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees for director.

(2) Member of the Company's Audit Committee and Corporate Governance and Compensation Committee.

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Company acting solely in such capacity.

The Board of Directors unanimously recommends that the Shareholders vote for setting the number of directors of the Company at six.

Unless you give other instructions, the persons named in the enclosed Proxy intend to vote FOR setting the number of directors of the Company at six and FOR the election of the director nominees whose names are set forth herein.

Cease Trade Orders or Bankruptcies

No proposed director is, as at the date of this Circular, or has been, within ten (10) years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company in respect of which the Circular is being prepared) that:

(a) was subject to a cease trade or similar order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade or similar order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted

from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director is, as at the date of this Circular, or has been within ten (10) years before the date of this Circular, a director or executive officer of any company (including the Company in respect of which the information circular is being prepared) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager of trustee appointed to hold its assets.

No proposed director has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold the assets of the proposed director.

Penalties and Sanctions

No proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

Approval of Zara Option Plan

At the last annual general meeting held on May 27, 2016, the Company proposed and the Shareholders approved the Company's 10% "rolling" stock option plan.

Shareholders will be asked to pass an ordinary resolution re-approving the Company's rolling stock option plan. The details of the Zara Option Plan are set forth below. Management recommends, and the persons named in the enclosed form of proxy intend to vote in favour of, the re-approval of the Zara Option Plan.

Details of the Zara Option Plan are as follows:

- the number of shares reserved for issue pursuant to options granted to participants who are Insiders (as such term is defined in the Zara Option Plan) shall not exceed 10% of the number of shares then outstanding;

- the grant to Insiders within a 12-month period, of a number of Options exceeding 10% of the outstanding Zara Shares;

- the grant to any one optionee within a 12-month period, of a number of Options exceeding 5% of the issued and outstanding Zara Shares unless the Company obtains the requisite disinterested shareholder approval;

- the grant to all persons engaged by the Company to provide investor relations activities, within any 12-month period, of Options reserving for issuance a number of Zara Shares exceeding in the aggregate 2% of the Company's issued and outstanding Zara Shares; or

- the grant to any one consultant, in any 12-month period, of Options reserving for issuance a number of Zara Shares exceeding in the aggregate 2% of the Company's issued and outstanding Zara Shares.

The directors may amend or discontinue the Zara Option Plan at any time, provided that no such amendment may, without the consent of the Optionee, alter or impair any option previously granted to an optionee under the Zara Option Plan and provided further that any amendment to the Zara Option Plan will require the prior consent of the CSE, if applicable. Pursuant to the Board's authority to govern the implementation and administration of the Zara Option Plan, all previously granted and outstanding stock options shall be governed by the provisions of the Zara Option Plan. A copy of the Zara Option Plan is available on request from the Company.

Shareholder Approval

Shareholders of the Company will be asked at the Meeting to pass an ordinary resolution in the following terms:

"**BE IT RESOLVED THAT:**

(a) the Company's Stock Option Plan dated May 27, 2016, be and is hereby ratified, confirmed and approved with such additional provisions and amendments, provided that such are not inconsistent with the Policies of the Canadian Securities Exchange, as the directors of the Company may deem necessary or advisable.

(b) the Company be authorized to grant stock options pursuant and subject to the terms and conditions of the Company's Stock Option Plan, entitling the option holders to purchase up to that number of common shares that is equal to 10% of the issued and outstanding shares of the Company as at the time of the grant; and

(c) the directors and officers of the Company be authorized and directed to perform all such acts and deeds and things and execute, under the seal of the Company or otherwise, all such documents, agreements and other writings as may be required to give effect to the true intent of these resolutions."

The persons named in the enclosed Proxy intend to vote for such resolution. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the approval of the Zara Option Plan.**

Approval of Articles

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a special resolution to ratify and confirm the Articles of the Company. The full text of the Articles of the Company is set out in Appendix E. The special resolution must be passed by 66⅔% of the votes cast at the Meeting.

When the Company continued under the BCBCA on July 3, 2013, the Company inadvertently omitted to have the Shareholders approve the articles that would be adopted upon the continuation to British Columbia. Accordingly, the Company is seeking a re-confirmation of the current Articles of the Company.

Shareholder Approval

Shareholders of the Company will be asked at the Meeting to pass a special resolution in the following terms:

"**BE IT RESOLVED THAT:**

(a) the articles of the Company attached as Appendix E to the Company's Management Information Circular dated January 25, 2019 is hereby adopted, ratified and confirmed as the articles of the Company."

The persons named in the enclosed Proxy intend to vote for such resolution. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the approval of the Articles Resolutions.**

STATEMENT OF EXECUTIVE COMPENSATION

General

The following information is provided as required under Form 51-102F6V – *Statement of Executive Compensation* – Venture Issuers (the "**Form**") and relates to the Company's five most recently completed years ended July 31, 2018, July 31, 2017, July 31, 2016, July 31, 2015 and July 31, 2014.

For the purposes of this Statement of Executive Compensation, "**compensation securities**" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries; and "**named executive officer**" ("**NEO**") means each of the following individuals:

(a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer ("**CEO**"), including an individual performing functions similar to a CEO;

(b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer ("**CFO**"), including an individual performing functions similar to a CFO;

(c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than $150,000, as determined in accordance with subsection 1.3(5) of the form, for the financial year; and

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, requirements and was not acting in a similar capacity, at the end of that financial year.

At the end of the Company's most recently completed financial year, the Company had two NEOs, Eugene Beukman and Daniel Wettreich, the Company's previous CEOs and Damanjit Gahunia and Daniel Wettreich, the Company's previous CFOs. There were no other executive officers of the Company, or other individuals acting in a similar capacity, whose total compensation was, individually, more than $150,000 during the financial period ended July 31, 2018.

Compensation Discussion and Analysis

Director and NEO Compensation

The following compensation table, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and members of the Board for the three most recently completed financial years ended July 31, 2018, July 31, 2017 and July 31, 2016. Options and compensation securities are disclosed under the heading "*Stock Options and Other Compensation Securities*" below.

During the financial years ended July 31, 2018, July 31, 2017 and July 31, 2016 based on the definition above, the NEOs were Daniel Wettreich, Former Chairman, CEO and Director and Eugene Beukman, former CEO and Director.

Executive and Director Compensation Table

Name and Principal Position	Year	Salary ($)	Share-based Awards ($)	Option-based Awards[3] ($)	Non-equity Incentive Plan Compensations ($)[6]		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-term Incentive Plans			
Daniel Wettreich Former Chairman of the Board, CEO and Director	2018[1]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	150,000	Nil	Nil	Nil	Nil	Nil	Nil	150,000
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eugene Beukman Former CEO and Director	2018[2]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	-	-	-	-	-	-	-	-
	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-	-

Notes:
(1) Daniel Wettriech resigned as a director and CEO on February 26, 2018.
(2) Eugene Beukman was appointed a director and CEO on February 26, 2018.

Outstanding Share-Based Awards and Option-Based Awards

The Company has never granted any share-based awards. The following table sets out all the option-based and share-based awards outstanding as at July 31, 2018, for each NEO:

Name	Option-based Awards			
	Number of securities underlying unexercised Options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options ($)[1]
Daniel Wettreich[1] Former Chairman of the Board, CEO and Director	Nil	Nil	Nil	Nil
Eugene Beukman[2] Former CEO and Director	Nil	Nil	Nil	Nil

Notes:
(1) Daniel Wettriech resigned as a director and CEO on February 26, 2018.
(2) Eugene Beukman was appointed a director and CEO on February 26, 2018.

Incentive Plan Awards – Value Vested or Earned During the Year Ending July 31, 2018

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Daniel Wettreich[1] Former Chairman of the Board, CEO and Director	Nil	Nil	Nil

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Eugene Beukman[(2)] Former CEO and Director	Nil	Nil	Nil

Notes:

(1) Daniel Wettriech resigned as a director and CEO on February 26, 2018.

(2) Eugene Beukman was appointed a director and CEO on February 26, 2018.

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to the NEOs.

Stock Options and Other Compensation Securities

The Zara Option Plan was implemented by the Company to provide incentives to directors, officers, senior management and consultants of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase common share value created for the Shareholders. The Company currently has no equity compensation plans other than the Zara Option Plan. The Zara Option Plan is a part of the Company's long-term incentive strategy for its executive officers. The Zara Option Plan is intended to reinforce commitment to long-term profitability and Shareholder value.

All option grants are recommended by the Corporate Governance Committee and Compensation Committee (the "**Compensation Committee**") and approved by the Board of Directors. Stock option grants are dependent on each recipient's level of responsibility, authority and importance to the Company and the degree to which such executive officer's long-term contribution will be key to the Company's long-term success. Previous grants of stock options are taken into account when considering new grants. In addition to recommending the number of stock options to be granted, the Compensation Committee also makes the following determinations:

- the recommended exercise price for each option granted;
- the date on which each option is granted;
- the vesting terms for each option; and
- any other material terms and conditions of each option grant.

The Compensation Committee makes these determinations subject to, and in accordance with, the provisions of the Zara Option Plan.

Please see *Approval of Zara Option Plan* for a summary of the material terms of the Zara Option Plan.

The Company granted no Options during the financial years ended July 31, 2016, 2017 and 2018.

Exercise of Compensation Securities by NEOs and Directors

There were no compensation securities exercised by any of the NEOs or directors of the Company during the financial year ended July 31, 2018.

Employment, Consulting and Management Agreements

As of July 31, 2018 and to the date of this Circular, the Company has no agreements or compensatory plans or arrangements with any of its NEOs concerning severance payments of cash or equity

compensation resulting from the resignation, retirement or any other termination of employment or other agreement with the Company or as a result of a change of control of the Company.

Oversight and Description of Director and Named Executive Officer Compensation

The Compensation Committee is responsible for adopting appropriate procedures for executive compensation and making recommendations to the Board of Directors with respect to the compensation of the Company's executive officers. The Compensation Committee aims to ensure that total compensation paid to all NEOs is fair and reasonable and is consistent with the Company's compensation philosophy.

The Compensation Committee is also responsible for recommending compensation for the directors and granting stock options to the directors, officers and employees of, and consultants to, the Company pursuant to the Zara Option Plan.

The members of the Compensation Committee are Kenneth Cotiamco, Emmery Wang and Jonathan Yan. Following the Meeting, a meeting of the Board of Directors will be held to elect the members of the Compensation Committee for the ensuing year. The Board of Directors is satisfied that the composition of the Compensation Committee will ensure an objective process for determining compensation.

Philosophy

The philosophy of the Company in determining compensation is that the compensation should (i) reflect the Company's current state of development, (ii) reflect the Company's performance, (iii) reflect individual performance, (iv) align the interests of executives with those of the Shareholders, (v) assist the Company in retaining key individuals, and (vi) reflect the Company's overall financial status.

Compensation Components for NEOs

The compensation of the NEOs comprises primarily (i) base salary; and (ii) long-term incentive in the form of stock options granted in accordance with the share option plan. In establishing levels of compensation, the Compensation Committee relies on the experience of its members as officers and directors of other reporting issuers in assessing compensation levels, taking into account the stage of development of the Company, the Company's asset levels, available capital, revenues, as well as the particular officer's level of responsibility, duties, amount of time dedicated to the affairs of the Company, and contribution to the Company's long term success. The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to other reporting issuers;

- identify and understand any gaps between actual compensation levels and market compensation levels; and

- establish a basis for developing salary adjustments and short-term and long-term incentive awards for the Committee's approval.

To-date, no formulas have been developed to assign a specific weighting to each of these components. Instead, the independent directors consider the Company's performance and determine compensation based on this assessment and the recommendations of the Compensation Committee. The Board of Directors has not conducted a formal evaluation of the implications of the risks associated with the Company's compensation policies. Risk management is a consideration of the Board of Directors and the Compensation Committee when implementing its compensation policies and the Board of Directors does not believe that the Company's compensation policies result in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Company.

Base Salary

The Compensation Committee and the independent directors approve the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. The Committee, using this information, together with budgetary guidelines and other internally generated planning and forecasting tools, performs an annual assessment of the compensation of all executive and employee compensation levels.

Director Compensation

The Company has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Company or its subsidiaries for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Circular. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board.

Use of Financial Instruments

The Company does not have a policy that would prohibit a NEO or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. However, management is not aware of any NEO or director purchasing such an instrument.

Pension Disclosure

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by the Company and none are proposed at this time.

Securities Authorized for Issuance Under Equity Compensation

Equity Compensation Plan Information

Plan	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	1,050,508	N/A	1,050,508
Equity Compensation plans not approved by securityholders.	-	N/A	-
Total:	1,050,508	N/A	1,050,508

Indebtedness of Directors and Executive Officers

None of the current or former directors, executive officers or employees of the Company or any of its subsidiaries, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of them is or has been indebted to the Company or any of its subsidiaries at any time since the beginning of the Company's most recently completed financial year nor has any such person been

indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company.

CORPORATE GOVERNANCE

The Company's corporate governance disclosure obligations are set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, National Policy 58-201 – *Corporate Governance Guidelines* (the "**NI 58-201**") and National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). These instruments set out a series of guidelines and requirements for effective corporate governance, collectively the "Guidelines". The NI 58-201 requires the Company to disclose its approach to corporate governance with reference to Guidelines.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board, be reasonably expected to interfere with the exercise of a director's independent judgment or which is deemed to be a material relationship under NI 52-110.

The Board of Directors of the Company facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board.

The current and proposed members of the Board are as follows:

Kenneth Cotiamco, a current and proposed director of the Company, is also the interim CEO of the Company and is therefore not independent.

Emmery (Yee Lun) Wang, a current and proposed director of the Company, is also the CFO of the Company and is therefore not independent.

Jonathan Yan, a current and proposed director of the Company, is "independent" in that he is independent and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than the interests and relationships arising from shareholdings.

Kevin Ma, a proposed director of the Company, is "independent" in that he is independent and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than the interests and relationships arising from shareholdings.

Alex Tong, a proposed director of the Company, is "independent" in that he is independent and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than the interests and relationships arising from shareholdings.

Lisa Yee, a proposed director of the Company, is "independent" in that she is independent and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than the interests and relationships arising from shareholdings.

Directorships

The following directors are currently serving on boards of the following other reporting companies (or equivalent) as set out below:

Name of Director	Reporting Issuer and Name of Trading Markets
Kevin Ma	Carl Data Solutions Inc. (CSE) Molori Energy Inc. (TSXV) Netcoins Holdings Inc. (CSE) Innovative Properties Inc. (CSE)
Alex Tong	Netcoins Holdings Inc. (CSE)

Orientation and Continuing Education

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. a Board manual which provides information respecting the functioning of the Board of Directors, committees and copies of the Company's corporate governance policies;
2. access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;
3. access to management and technical experts and consultants; and
4. information regarding a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under the corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction (i) relates primarily to their remuneration as a director, officer, employee or agent of the Company or an affiliate of the Company, (ii) is for indemnity or insurance for the benefit of the director in connection with the Company, or (iii) is with an affiliate of the Company. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Company at the time it was entered into, the contract or transaction is not invalid and the director is not accountable to the Company for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the

contract or transaction must have been reasonable and fair to the Company and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

The Board requires that directors and executive officers who have an interest in a transaction or agreement with the Company promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material or if required to do so by corporate or securities law.

Nomination of Directors

The Compensation Committee has responsibility for identifying potential Board candidates. The Compensation Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mineral exploration industry are consulted for possible candidates.

New nominees should have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's mission and strategic objectives, and a willingness to serve.

Compensation

The Corporate Governance and Compensation Committee has the responsibility for reviewing and recommending to the board compensation for the directors and senior management. See *Executive Compensation – Compensation Discussion and Analysis*.

Other Board Committees

The Corporate Governance and Compensation Committee is responsible for reviewing all overall compensation strategy, objectives and policies; annually reviewing and assessing the performance of the executive officers; recommending to the Board the compensation of the executive officers; reviewing executive appointments; and recommending the adequacy and form of directors' compensation.

This Compensation Committee meets at least once annually. Currently, the members are Kenneth Cotiamco, Jonathan Yan and Emmery Wang. Following the Meeting, a Board of Directors meeting will be held to elect the members of the Committee for the ensuing year.

The Board of Directors has no other committees other than the Audit Committee and the Compensation Committee.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

Audit Committee

NI 52-110 requires the Company, as a venture issuer, to disclose annually in its management proxy circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor all as set forth herein below

The Audit Committee's Charter

The Company's Audit Committee ("**Audit Committee**") of the Board endeavours to facilitate effective Board decision-making by providing recommendations to the Board on matters within its responsibility. The Board believes that the Audit Committee assists in the effective functioning of the Board.

The Audit Committee is responsible for ensuring that management has established appropriate processes for monitoring the Company's systems and procedures for financial reporting and controls, reviewing all financial information in disclosure documents; monitoring the performance and fees and expenses of the Company's external auditors and recommending external auditors for appointment by shareholders. The Audit Committee is also responsible for reviewing the Company's quarterly and annual financial statements prior to approval by the Board and release to the public. The Audit Committee meets periodically in private with the Company's external auditors to discuss and review specific issues as appropriate.

The Audit Committee has a Charter. A copy of the Audit Committee Charter is attached as Appendix A to this Circular.

Composition of the Audit Committee

The proposed members of the Audit Committee are Ms. Emmery (Yee Lun) Wang, Mr. Kevin Ma and Mr. Alex Tong. Messrs. Ma and Tong are independent. Ms. Wang is not independent by virtue of her position as CFO of the Company. All proposed members of the Audit Committee are considered to be financially literate as required by section 1.6 of NI 52-110.

Relevant Education and Experience

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

All of the members of the Company's audit committee are financially literate as that term is defined in NI 52-110. All members have an understanding of the accounting principles used by the Company to prepare its financial statements and have an understanding of its internal controls and procedures for financial reporting.

Emmery (Yee Lun) Wang

Ms. Wang has over 17 years of professional experience in corporate finance and accounting in various corporations, including both private and public companies listed in Canada and USA. She is a Chartered Accountant and a graduate of the University of British Columbia with a degree in Science and Diploma in Accounting. Ms. Wang also has much experience in financial reporting of various industries while working as an auditor. Currently, Ms. Wang is a Partner of AB&T Consulting Inc. which provides accounting and tax services.

Kevin Ma

Mr. Ma, is a principal and the founder of Skanderbeg Financial Advisory Inc., an advisory firm specializing in corporate finance, mergers & acquisitions, and senior executive and management advisory. Mr. Ma is also currently a partner at Calibre Capital Corp., specializing in financing, structuring and advising early stage growth companies. From 2005 to 2008 Mr. Ma was the Audit Manager for Deloitte & Touche, LLP. Mr. Ma is a Chartered Accountant certified by the Chartered Professional Accountants of British Columbia, and holds a Diploma in Accounting and a Bachelor of Arts degree from the University of British Columbia.

Alex Tong

Mr. Tong is a Chartered Accountant certified by the Chartered Professional Accountants of British Columbia. Mr. Tong is currently a partner at Calibre Capital Corp., specializing in financing, structuring and advising early stage growth companies. Mr. Tong was also the financial controller for Lucara

Diamonds Corp. from September 2012 to August 2018 where he was responsible for all financial operations at both corporate and the Karowe diamond mine.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions contained in sections 2.4, 6.1.1(4)(5)(6) or Part 8 of NI 52 110.

Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable by the Audit Committee, on a case by case basis.

External Auditor Service Fees

Fees incurred with Dale Matheson Carr-Hilton Labonte LLP and Abraham Chan LLP for audit and non-audit services in each of the last three fiscal years for audit fees are outlined in the following table. There were no non-audit services provide by the auditors. Dale Matheson Carr-Hilton Labonte LPP was appointed auditors of the Company on February 13, 2018.

Nature of Services	Fees Paid to Auditor in Year Ended July 31, 2016	Fees Paid to Auditor in Year Ended July 31, 2017	Fees Paid to Auditor in Year Ended July 31, 2018
Audit Fees[(1)]	11,966	8,000	8,670
Audit-Related Fees[(2)]	-	-	-
Tax Fees[(3)]	-	-	-
All Other Fees[(4)]	-	-	-
Total	11,966	8,000	8,670

Notes:

(1) "**Audit Fees**" include fees necessary to perform the annual audit of the Company's consolidated financial statements and for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-Related Fees**" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.

(4) "**All Other Fees**" include all other non-audit services.

Exemption

The Company is a "venture issuer" as defined in NI 52-110 and is relying upon the exemption in sections 6.1 and 6.1.1(6) of NI 52-110 concerning Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no: (a) director, proposed director or executive officer of the Company; (b) person or company who beneficially owns, or controls or directs, directly or indirectly, or a combination of both, Zara Shares, carrying more than ten percent of the voting rights attached to the outstanding common shares of the Company (an "**Insider**"); (c) director or executive officer of a person or company that is itself an Insider or Subsidiary of the Company; or (d) any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction that has materially affected or would materially affect the Company, except with respect to an interest arising from the ownership of common shares of the Company where such person or company will receive no extra or special benefit or advantage not shared on a pro-rata basis by all holders of Zara Shares. See also *Interest of Certain Persons or Companies in Matters to be Acted Upon* below.

MANAGEMENT CONTRACTS

There are no management functions of the Company, which are, to any substantial degree, performed by a person other than the directors or executive officers of the Company.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise set out below, none of the directors or executive officers of the Company, none of the management proposed nominees for election as directors of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company's last financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

Kevin Ma, a proposed director of the Company, beneficially owns Blacklist Debentures, which would convert into less than 1% of the issued and outstanding Resulting Issuer Shares upon completion of the Transaction. Skanderbeg Financial Advisory Inc., a company controlled by Mr. Ma, beneficially owns Blacklist Debentures, which would convert into less than 2% of the issued and outstanding Resulting Issuer Shares upon completion of the Transaction.

OTHER MATTERS

As of the date of this Circular, management knows of no other matters to be acted upon at this Meeting. However, should any other matters properly come before the Meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the shares represented by the proxy.

GENERAL

Unless otherwise directed, it is the intention of the Management Appointees to vote proxies in favour of the resolutions set forth herein. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the Shareholders. All special

resolutions require, for the passing of the same, a 2/3 majority of the votes cast at the Meeting by the shareholders.

ADDITIONAL INFORMATION

Additional information relating to Zara is included in the audited financial statements of Zara for the years ended July 31, 2018, July 31, 2017 and July 31, 2016, copies of which have been filed on www.sedar.com.

Additional information is also available upon request at the operating office of the Company. The Company's telephone number is 604.687.7130.

DIRECTOR APPROVAL

The contents of this Circular and its distribution to Shareholders have been approved by the Board.

Dated at Vancouver, British Columbia, Canada, on this 25th day of January, 2019

BY ORDER OF THE BOARD OF DIRECTORS OF THE COMPANY

"*Kenneth Cotiamco*"

Kenneth Cotiamco
Interim Chief Executive Officer and Director

APPENDIX A
AUDIT COMMITTEE CHARTER
OF ZARA RESOURCES INC. (THE "COMPANY")

Mandate

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

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

Composition

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements. The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting.

Meetings

The Audit Committee shall meet frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the external auditors.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports

1. Review and update this Charter annually.
2. Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

3. Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

External Auditors

1. Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Company.

2. Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company.

3. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

4. Take, or recommend that the full Board of Directors, take appropriate action to oversee the independence of the external auditors.

5. Recommend to the Board of Directors the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

6. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

7. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

8. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

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

    a. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

    b. such services were not recognized by the Company at the time of the engagement to be non-audit services; and

    c. such services are promptly brought to the attention of the Audit Committee by the Company and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee. Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

Financial Reporting Processes

1. In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

2. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

3. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

4. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

5. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

6. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

7. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

8. Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

9. Review certification process.

10. Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

Review any related-party transactions.

APPENDIX B

ACQUISITION RESOLUTION

RESOLUTION OF THE SHAREHOLDERS
OF ZARA RESOURCES INC.
(the "Company")

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The acquisition (the "**Acquisition**") of all the issued and outstanding common shares of Blacklist Holdings, Inc. ("**Blacklist**"), as more particularly described and set forth in the information circular (the "**Circular**") of the Company dated January 25, 2019, is hereby authorized, approved and adopted.

2. The amalgamation (the "**Amalgamation**") of 1185669 B.C. Ltd. ("**Zara Subco**") and Blacklist Finco, Inc. ("**Blacklist Finco**") as more particularly described and set forth in the Circular is hereby authorized, approved and adopted.

3. The share exchange agreement dated December 24, 2018 among the Company, Blacklist, Blacklist Finco, Zara Subco and certain securityholders of Blacklist (the "**Share Exchange Agreement**") and all transactions contemplated thereby, and the performance by the Company of its obligations thereunder, is hereby approved and adopted.

4. The amalgamation agreement dated December 24, 2018 among the Company, Blacklist, Blacklist Finco and Zara Subco (the "**Amalgamation Agreement**") and all transaction contemplated thereby, and the performance by the Company of its obligations thereunder, is hereby approved and adopted.

5. The actions of the directors of Zara in approving the Share Exchange Agreement, the Amalgamation Agreement and the actions of the directors and officers of Zara in executing and delivering the Share Exchange Agreement, the Amalgamation Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.

6. Notwithstanding that this resolution has been passed by the shareholders of Zara, the directors of Zara are hereby authorized and empowered (i) to amend the Share Exchange Agreement to the extent permitted by the Share Exchange Agreement, (ii) to amend the Amalgamation Agreement to the extent permitted by the Amalgamation Agreement, and (iii) not to proceed with the Acquisition or the Amalgamation at any time prior to the Closing Date (as defined in the Share Exchange Agreement).

7. Any officer or director of Zara is hereby authorized and directed for and on behalf of Zara to execute or cause to be executed, under the seal of Zara or otherwise, and to deliver or cause to be delivered, all such documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such authorization to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX C

INFORMATION CONCERNING BLACKLIST

*The following information is presented on a pre-Transaction basis and reflects the business, financial and share capital position of Blacklist Holdings, Inc. ("**Blacklist**"). **See Cautionary Notice Regarding Forward-Looking Statements in this Circular in respect of forward-looking statements that are included in this Schedule and in the documents incorporated by reference herein.***

All capitalized terms used in this Appendix and not defined herein have the meaning ascribed to such terms in the *Glossary of Terms* or elsewhere in this Circular. Unless otherwise indicated herein, references to "$", "Cdn$" or "Canadian dollars" are to Canadian dollars, and references to "US$" or "U.S. dollars" are to United States dollars. The information contained in this Appendix unless otherwise indicated, is given as of January 22, 2019 (the "**Record Date**").

PRELIMINARY NOTE

This Appendix has been prepared by the management of Blacklist and contains information in respect of the business and affairs of Blacklist. Information provided by Blacklist is the sole responsibility of Blacklist, and Zara does not assume any responsibility for the accuracy or completeness of such information.

ORGANIZATIONAL STRUCTURE

Blacklist was incorporated on February 26, 2014 under the laws of the state of Washington under the name "Ionic, Inc.". On May 26, 2016, it changed its name to "The Blacklist Syndicate, Inc.". On August 9, 2016, it changed its name to "Blacklist Partners, Corp.". On August 30, 2016, it changed its name to "Blacklist Holdings, Inc.". The principal and registered office of Blacklist is 1142 Broadway, Suite 300, Tacoma, Washington 98402.

Blacklist has one wholly-owned subsidiary, Blacklist Finco Inc., that was incorporated under the BCBCA on October 18, 2018.

Blacklist Shares are currently not listed on any stock exchange.

GENERAL DEVELOPMENT OF THE BUSINESS OF BLACKLIST

Blacklist was established on February 26, 2014 as a Washington C Corporation formed in Gig Harbor, Washington. Its primary business involves providing activities ancillary to the cannabis production and processing industry in the states of Washington, Oregon and California. This includes providing services and non-cannabis material, the leasing of production equipment and the licensing of intellectual property. In addition, Backlist also derives revenue from providing operating and marketing support, consulting, advisory fees, branded containers, packaging and labeling, and leasing transportation equipment to licensed cannabis entities. Blacklist is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational or medical marketplace in the United States.

Blacklist began operations in September 2015 in Washington State and relocated its corporate headquarters to Tacoma, Washington. Since then Blacklist has experienced rapid growth. Blacklist now has offices in Washington, Oregon and California.

In 2018, Blacklist completed the Subscription Receipt Financing and the Debenture Financing. See *The Transaction*.

Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which management expects could impact its business and financial condition are (i) the changing legal and regulatory regime which regulates the production and sale of cannabis and cannabis related product; (ii) the ability of companies who may receive funds from the sale of cannabis and cannabis related products to adequately track and legally transfer such funds; and (iii) the ability of companies to raise adequate capital to carry out their business objectives. See *Risk Factors* below.

Regulatory Overview

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), as published on October 16, 2017 and as revised on February 8, 2018, below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where Blacklist has operations. In accordance with Staff Notice 51-352, Blacklist will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

Table of Concordance

In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Circular that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Circular Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*Appendix C – Information Concerning Blacklist – General Development of the Business* *Appendix C – Information Concerning Blacklist – Narrative Description of the Business* *Appendix C – Information Concerning Blacklist – Market Overview* *Appendix C – Information Concerning Blacklist – Summary of the Resulting Issuer's U.S. Cannabis Activity*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Appendix D – Information Concerning the Resulting Issuer (disclosure in bold typeface)*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer	*Appendix C – Information Concerning Blacklist – Regulatory Overview – U.S. Federal Law Overview* *Appendix C – Information Concerning Blacklist –*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Circular Cross Reference
	conducts U.S. marijuana-related activities.	*Regulatory Overview – Enforcement of Federal Laws* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Risks Specifically Related to the United States*
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Ongoing Costs and Obligations* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Product Liability* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Product Recalls* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Financial Projections May Prove Materially Inaccurate or Incorrect* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Changes in Laws, Regulations and Guidelines* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Constraints on Marketing Products* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Reliance on Third-Party Suppliers, Manufacturers and Contractors* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Environmental Risk and Regulation* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Risks Specifically Related to the*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Circular Cross Reference
		United States
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*Appendix C – Information Concerning Blacklist – Narrative Description of the Business – Total Funds Available* *Appendix C – Information Concerning Blacklist – Narrative Description of the Business – Ability to Access Public and Private Capital* *Appendix D – Information Concerning the Resulting Issuer – Risk Factors – Negative Impact of Regulatory Scrutiny on Raising Capital*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*Appendix C – Information Concerning Blacklist – Narrative Description of Business – Summary of the Blacklist's U.S. Cannabis Activity*
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has not been obtained.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an	N/A

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Circular Cross Reference
	impact on the issuer's license, business activities or operations.	
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	N/A
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's license, business activities or operations.	N/A
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Appendix C – Information Concerning Blacklist – Narrative Description of Business – Summary of the Blacklist's U.S. Cannabis Activity*

United States Federal Overview

General

In the United States, twenty-nine states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nine states and Washington D.C. have legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

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

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute marijuana-related offenses. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a regulatory and enforcement perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on

the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

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

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of Federal Laws

For the reasons set forth above, Blacklist's existing operations in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, Blacklist 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 Blacklist's ability to operate in the United States or any other jurisdiction. See *Risk Factors*.

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

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

Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, the United States Congress has repeatedly enacted legislation to protect the medical marijuana industry from prosecution. The United States Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016, which by its terms does not appropriate any federal funds to the U.S. DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with State medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (the "**Leahy Amendment**") and continued

the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment has remained in effect by virtue of a continuing resolution under which the entire 2018 budget is currently operating. The current continuing resolution is effective through December 7, 2018, at which time the United States Congress must either pass an omnibus appropriations bill for fiscal year 2019 or pass another continuing resolution of the 2018 budget, or it will face a shutdown of the federal government, at which time the Leahy Amendment would no longer be in effect. The Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes.

NARRATIVE DESCRIPTION OF BUSINESS

Blacklist's primary business is the provision of services and products ancillary to the cannabis production and processing industry in the states of Washington, Oregon and California. Blacklist is currently not engaged in the manufacture, importation, possession, use, sale or distribution of cannabis. Blacklist delivers comprehensive solutions to licensed cannabis processors and producers which includes the following:

- processing and transportation equipment leasing;
- operating and marketing support;
- licensing of intellectual property; and
- sourcing of devices, packaging and labeling.

Blacklist expects to generate returns from any or all of the following revenue sources: (i) operating support, consulting, licensing and advisory fees from service contracts with certain license holders; and (ii) leasing facilities and equipment to certain licensed cannabis entities.

Blacklist intends to expand to all states in the United States where the sale of cannabis is legal.

The Blacklist extraction, formulations, and post extraction processes are proprietary and held as closely guarded trade secrets. The specific plant-based terpene profiles are never given to any licensed partner whether they are a direct licensed processer or co-packing partner. These processes are licensed to producers and co-packagers. Blacklist has quality control managers in place at each partner processor or co-packager location to guarantee the highest quality standards in the industry to support our brand promises and standards. In addition, Blacklist procures and supplies the vape pens, both refillable and disposable, cartridges, applicators, jars and brand, packaging and labeling for the licensee. Blacklist's management believes the products are well received in the marketplace and will capture a significant portion of the vape pen and concentrate oil business. The Blacklist brand, IONIC™, and processes were developed for the oil-infused products category in the cannabis industry, which is the fastest growing sector of the industry.[1]

Washington

Blacklist currently licenses its intellectual property, leases various equipment and vehicles and sells marketing and packaging supplies to Ionic, Inc. ("**Ionic**"), a Washington corporation holding a processor license from the Washington State Liquor and Cannabis Board. Ionic processes, packages and label marijuana and marijuana-infused products for sale at wholesale to marijuana retailers.

On January 10, 2016 Blacklist entered into a purchase agreement with Ionic, whereby Ionic granted Blacklist a right to acquire all of Ionic's issued and outstanding shares upon meeting certain conditions. Blacklist intends to acquire Ionic when the laws of the state of Washington allows cannabis licenses to be held by non-Washington state residents.

[1] New Frontier Data, *Washington Liquor Control Board Dataset,* 2016

Oregon and California

In the states of Oregon and California, Blacklist contracts with co-packers that are fully licensed and that are incompliance with local and state cannabis regulations to fill, package and distribute IONIC™ branded products in accordance with our strict standard operating procedures.

Offices

We have offices located in Washington, Oregon and California.

Principal Products or Services

Values

Blacklist's product guidelines include:

- packages that elevate the cannabis experience with quality and respectability;
- concentrates that are created using the highest quality ingredients and methods;
- taste and finish that is pleasant consistent and sophisticated; and
- devices that are stylish, discreet, dependable and easy to use.

Product Lines

Blacklist have three key product lines:

- **SOCIAL** – characterized as controlled, sociable, outgoing, conversational, interested, optimistic, open and available. These qualities are most suited to Hybrid strains of cannabis.
- **FOCUS –** characterized as motivated, centered, creative, awake, engaged, captivated, energized, deliberate, and inspired. These qualities are most suited to Sativa strains of cannabis.
- **RELAX –** characterized as lucid, reflective, sleepy, healed, content and contemplative. These qualities are most suited to Indica strains of cannabis.

Cannabis Oil and Concentrates

Blacklist's cannabis flavor profiles have been created through a scientific process involving the extraction and subsequent addition of different natural terpenes at a molecular level (the "**ION Extraction Method**"). The ION Extraction Method uses hybrid forms and blends that exclude any inert gasses, ethanol extraction, and CO2 supercritical extraction. Waxes and fats are removed to allow for the absolute viscosity when delivered with Blacklist's proprietary terpene blend. This process is highly complex but can be measured, which enables the licensee to produce a consistent high-quality and scalable product. Many other oil cartridges contain cannabis oil and other carriers such as polyethylene glycol, propylene glycol or vegetable glycerin. Blacklist's fine tuned treatment process and the quality of raw materials ultimately are what separate the IONIC™ brand from their competitors.[2]

Blacklist intends to file patent applications for the ION Extraction Method.
The Blacklist process uses the ION Extraction Method to produce cannabis oils and concentrates in a clean and efficient manner. The Blacklist process uses only the highest quality ingredients and methods to craft its signature and proprietary blend, which is three times filtered for extra purity.

Blacklist intends on creating seasonal blends, examples of which may include 'Pumpkin Spice' for Thanksgiving and 'Peppermint' for Christmas. Blacklist intends to make each seasonal blends contain a flavor profile that is refined and subtle, not overly flavored.

Vaporizers

Blacklist offers two types of vaporizers:

[2] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*

1. *Disposable Cartridges*

    - The Ultra-Premium brand of cannabis oil comes in an elegant, easy to use unit. Each vaporizer comes fully charged and pre-filled.
    - Crafted blend that is three-times filtered for extra purity.
    - Easy to take anywhere and ready to use. No chargers, no filling, just breathe

2. *Refillable Cartridges*

    - The Ultra-Premium brand of cannabis oil in an elegant, easy to use unit. Each vaporizer comes pre-filled ready for the consumer to attach the battery of their choice.
    - Luxurious blend handcrafted and three times filtered for extra purity.
    - Easy to take anywhere and ready to use, just attach your battery of choice and go.

Blacklist owns and leases to its licensees glass tank-based disposable marijuana vaporizers with a porous ceramic heating element. With such a device, users can avoid the cotton polyfill vaporizer devices that its competitors use.

Quality Control and Competitive Advantage

Vape pens and cartridge are historically problematic, with many customers complaining of leakage, battery failure, undesirable chemical taste, and harshness. Even the largest brands continue to struggle with quality control issues for both their devices and quality of the oil.

Blacklist's devotion to superior product quality and quality control measures are what separates Blacklist from its competitors (see below *Competitive Conditions and Position*). Blacklist sources the highest quality devices, which are uniquely packaged in a reusable base that ensures optimal performance during the life of the products. Additionally, Blacklist leases specialized equipment to highly experienced processors and co-packagers, who collectively produce our proprietary premium formulations. Blacklist also intends to implement measures to receive constant feedback from retailers and consumers concerning any issues with the quality of Blacklist's products.

Licensing

Blacklist licenses to processors and co-packagers its proprietary process of cannabis oil for the recreational and medical concentrates market, with a product line that includes Ultra-Premium CO2 Oil and wax in our Black Line and Pure Line, and distillate oil and wax, all of which are delivered to consumers in discreet, easy-to-use vape pens, cartridges, applicators and jars. Blacklist has quality control managers in place at each partner processor or co-packager location to guarantee the highest quality standards in the industry to support our brand promises and standards. In all markets that we offer the licensed IONIC™ brand, Blacklist supports their marketing operations with deployed market managers and brand ambassadors to secure accounts as well as to assist the retailer with in-store sales. Our commitment to our retailers and consumers remains the same in each and every market. Our brand promise is to deliver, day in and day out, the same consumer experience in each market that we service.

Intellectual Property

Patents

Blacklist owns U.S. Patent No.9565865 entitled “Method for Making Coffee Products Containing Cannabis Ingredients” issued on February 14, 2017, along with all related patents or applications worldwide, presently including U.S. Application No. 15397895 filed on January 4, 2017 and U.S. Application No. 15837623 filed on December 11, 2017. Blacklist’s terpene formulations and distillation processes are closely held and guarded secrets of Blacklist.

Trademarks

Blacklist owns the following trademark:

IONIC

IONIC™ is registered with the United States Patent and Trademark Office under trademark no. 86138972.

Branding and Marketing

Market Differentiation

Blacklist’s marketing strategy and market development plan has been created specifically to reach and resonate with what Blacklist has determined to be its core audience – millions of under-served cannabis users, defined as motivated, productive adults who choose to enjoy cannabis recreationally.

In addition to consumers, retailers are also a crucial component to the customer experience. They are inextricable from the customer experience. Education and awareness of Blacklist’s brand and product line will predominately be presented by and filtered through what Blacklist sees as the single most powerful tool at our disposal – the ‘Budtender’.

The Budtenders, or 'Sommeliers of Cannabis', are the gateway to new user awareness, education, and conversion. A Budtender is a retailer’s staff member and is trained by Blacklist on the IONIC™ brand. Often, the Budtender is not only the guide for a first-time customer's journey but a trusted source for repeat buyers. They are the primary influencer of what new and repeat customers see and ultimately buy. They provide suggestions and sway opinions as ‘experts’ in the field. For the most part, our core audience does not consider themselves experts on cannabis. They know the experience they desire, but not how to find it amongst the dizzying array of strains and products offered. The Budtender is their personal guide to the discovery of a brand or product that delivers that experience. Meaning that our primary strategy for developing a stable customer base relies on developing a close, expert, trusted relationship with the Budtender community and educating them about IONIC™.

General Tactics

Blacklist intends to implement the following marketing tactics:

- Weekly 'menu' updates – sent out to all current clients to keep them updated on the Blacklist's products.
- Staff Engagement –a way for Blacklist to improve its relationship with the staff or "budtenders" of buyers/vendors who recommend products to customers at their stores. The processor will give each employee a small sample of each product to provide first-hand experience Blacklist's brands.
- Cannabis Related Events – increase market presence state-wide by attending industry conferences and events.
- Luxury Events (non-cannabis related) – branch outside of the cannabis industry to gain a presence in the global economy.
- Retail Consultations –comprehensive quarterly reviews attended by Blacklist state managers to show support at all key partner accounts.

Key Highlights

The Blacklist brand, IONIC™, is advertised on mainstream cannabis websites, and magazines such as Northwest Leaf, Dope magazine and MG magazine along with other mainstream printed, digital and social media strategies.

Blacklist has already achieved a leadership position in the Washington market for its marketing and branding by its nomination in the Dope Magazine industry awards held in December of 2016 and the eventual award for Best Brand in 2017.

Market Overview

Cannabis Use – Inhalation, Ingestion and Vaping Technology

Cannabis has been used for centuries for its medicinal value. Compounds found within cannabis that may have certain medicinal benefits include cannabinoids, terpenes, and flavonoids. Most cannabis research has focused on two cannabinoids, THCA (delta9-tetrahydrocannabinolic acid) and CBDA (cannabidiolic acid). Cannabis strains with a high ratio of THCA/CBDA are termed marijuana and strains with a low ratio of THCA/CBDA are termed hemp. Once raw plant materials have been harvested and heated, THCA becomes THC (delta-9-tetrahydrocannabinol), and CBDA becomes CBD via decarboxylation (heat processed) making them biologically active. Oral consumption of cannabis involves liver metabolism, which reduces the bioavailability of cannabis compounds and has slow absorption, taking 60-120 minutes to reach maximal plasma concentrations. Therefore, inhalation methods may be more suitable for rapid onset of effects when managing acute symptoms such as nausea or seizures.[3]

Effects of Cannabis Inhalation

A common way to inhale cannabis is by smoking the raw plant material. Cannabis compounds are detectable in plasma seconds after the first inhalation with maximal peak plasma concentrations occurring within three to ten minutes. Approximately two hours after inhaling cannabis smoke, plasma concentrations decline to about half of the peak level. It should be noted that systemic bioavailability varies according to depth of inhalation duration and breathe hold, generally ranging between 23-27% for heavy users versus 10-14% for occasional users. Unfortunately, the composition of the smoke is qualitatively like that of tobacco. For instance, data shows that cannabis smoke contains several of the same carcinogens and co-carcinogens as those identified in tobacco smoke, including vinyl chlorides, phenols, nitrosamines, reactive oxygen species, and various polycyclic aromatic hydrocarbons (PAHs). As a result, chronic cannabis smoking can cause the same deleterious pulmonary effects as seen with tobacco smoking. For example, evaluation of the tracheobronchial epithelium suggests that smoking a

[3] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*

few cannabis cigarettes a day has similar effects as smoking more than 20 tobacco cigarettes daily (mean value). However, inhalation enables the desired effects to occur more rapidly as compared to oral dosing.[4]

Cannabis Vapor

Considering the potential health risks associated with smoking cannabis and the loss of about 30% of the drug via pyrolysis during combustion, and with additional loss in the butt or inside stream smoke, it became necessary to develop a new inhalation system. This led to the development of the electric vaporizer. This smokeless device heats up cannabis extracts so that the active compounds boil (around 200◦C) into a vapor without needing to reach full combustion. These cooler temperatures increase total compound utilization, while decreasing harmful effects described for smoking. Preliminary tests reveal meaningful improvements in respiratory function, providing evidence for the potential use of vaporizers for medical cannabis administration over conventional smoking methods. Recently, four electric vaporizers and one gas-powered vaporizer were tested for their efficiency to vaporize THCA and CBDA.[5] The electric devices, with their fine temperature controls, showed high decarboxylation efficiency of the acidic cannabinoids THCA (≥ 97.3%) and CBDA(≥ 94.6%). The gas-powered vaporizer, however, showed indications of combustion (e.g., ash left in the sample compartment and visible smoke) and lower decarboxylation efficiency of THCA (55.9%) and CBDA (45.9%).[6] This reduction in efficiency was thought to be due to unreliable temperature control. Use of cannabis with electric vaporizers therefore decreases risk of the formation of potential toxic pyrolysis by-products and is a more efficient alternative to smoking cannabis or using gas powered vaporizer.[7]

Until recently, the market has primarily catered to mainstream cannabis (flower) consumers. However, as new consumers enter the market, Retailers offering the Blacklist brand, IONIC™ are ready to provide the discreet experience to these non-typical “stoner types”, with a healthier and more appealing alternative to smoking cannabis flower. Blacklist believes that its target markets will demand a more mature, sophisticated way to enjoy cannabis products.

The primary focus of Blacklist is in the concentrates market which currently encompasses 15% of all cannabis sales in Washington.[8] With concentrate sales already exceeding US$33 million in 2017 in Washington State alone, an entirely new national-level industry segment is coming online.

Concentrates are exactly what the word connotes – a concentrated form of THC or CBD oil. Blacklist produces proprietary concentrates, packaged in sleek disposable or rechargeable cartridges, as well as in the form of pure cannabis oil packaged in half- and full-gram designer jars. Both types of oil offer a convenient and discreet delivery. A disposable cartridge is ideal for short-term use, by tourists or visitors new to cannabis and wanting to explore the “cannabis experience”. Rechargeable cartridges are better suited for long-term use by everyday and experienced cannabis consumers looking to sample distinct strains without smoking the flower.

U.S. Cannabis Market

Development of the U.S. Cannabis Market

In the United States, the possession, use, cultivation, and transfer of cannabis remains illegal under U.S. federal laws. Federal law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. However, certain states in the United States have legalized cannabis for medicinal use while others have done so for adult recreational use.

[4] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*
[5] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*
[6] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*
[7] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*
[8] Marijuana Business Daily, *Marijuana Business Factbook 2016. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017*

The emergence of the legal cannabis sector in the United States, both for medical and recreational use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.[9]

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of research, published in 2015 in the Journal of the American Medical Association, found evidence supporting the use of cannabis to treat pain and muscle spasms.[10] The pain component is particularly important because other studies have suggested that cannabis may serve as an alternative to opiates, which are highly addictive and potentially deadly.[11]

Polls throughout the United States consistently show overwhelming support for the legalization of medical cannabis. There is also strong support for full legalization of recreational adult-use cannabis. It is estimated that 94% of U.S. voters support legalizing cannabis for medical use.[12] In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.[13] These values represent a strong shift in public support towards favoring legal cannabis use.

Notwithstanding that 29 states have now legalized adult-use and/or medical cannabis, cannabis remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the Controlled Substances Act.

Currently Blacklist operates in the states of Washington, California and Oregon and intends to expand into other states within the U.S. when such have legalized cannabis use for either medical or recreational use.

While certain regulatory changes have paved the way for wide-ranging entrepreneurship in the cannabis industry, the possession, use, cultivation, and transfer of cannabis remains illegal under U.S. federal law and represents a significant risk factor to the Blacklist to the extent it seeks to carry on business in or otherwise distribute products to the United States (see *Risk Factors*).

Current U.S. Cannabis Market

According to Arcview Market Research, the leading industry data researcher for the burgeoning regulated cannabis market in the United States, the cannabis industry in the United States is growing faster than the growth during the dot-com era. Legal cannabis sales in the United States and Canada grew by a meteoric 30% in 2016 to US$6.7 billion, 33% in 2017 and are projected to top US$24 billion by 2021 - in just five years (see below diagram).[14] To put that in perspective, the entire United States GDP grew by 22% during the dot-com era[15], which was considered unprecedented economic growth at the time.

The number of medical cannabis patients in states with existing comprehensive medical cannabis programs was approximately 1.5 million by the end of 2017, served by approximately 1,500-2,000 medical dispensaries nationwide, a disproportionate number of those in California. It is currently

[9] Ripley, Eve. (2016 November 30). Nearly 60 percent of US. Population now lives in states with marijuana legalization". Retrieved from https://news.medicalmarijuana.com/nearly-60-percent-u-s-population-now-lives-states-marijuana-legalization/.
[10] Grant, Igor MD (2015). Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16, 1750-1751. doi: 0.1001/jama.2015.11429.
[11] Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. JAMA Intern Med. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.
[12] Quinnipiac University. (2017 April 20). U.S. Voter Support For Marijuana Hits New High; Quinnipiac University National Poll Finds; 76 Percent Say Their Finances Are Excellent Or Good. Retrieved from https://poll.qu.edu/national/release-detail?ReleaseID=2453.
[13] Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx.
[14] Messamore, W.E. (January 6, 2017). Forbes: Legal Marijuana Sales In US Bigger Than Dot-Com Boom. Retrieved from https://ivn.us/2017/01/06/legal-marijuana-sales-bigger-dot-com-boom/.
[15] Berke, Jeremy (December 8, 2017). Business Insider, The legal marijuana market is exploding - it'll hit almost $10 billion sales in this year. Retrieved from https://nordic.businessinsider.com/legal-weed-market-to-hit-10-billion-in-sales-report-says-2017-12.

estimated that each patient spends about US$2,000 annually[16], and that the total number of medical cannabis patients nationwide is expected to grow to 2.5 million by 2021.[17]

Washington Cannabis Market

People use cannabis for a variety of reasons, often to medicate, relax and socialize, and this market also encompasses successful adults. We cater to those active adults who are discreet, yet lighthearted and enjoy having fun. The fact is that attitudes are changing towards cannabis as new studies are released about its use, and we at Blacklist seek to facilitate this change. Cannabis use which is becoming widely accepted in many areas is much safer when compared to the impairment caused by many other substances like alcohol which generates US$90 billion in revenue each year in the United States. We predict the legalization of marijuana will be accelerated in many other states due to the growth in sales generated in the Colorado and Washington State markets (annual revenue of US$1.37 billion), causing a rapid influx of new markets for our products to be distributed. As a new generation takes over in business, it is apparent that adults are letting go of the "Reefer Madness" perspective and standing on a more realistic point of view Blacklist seeks to become a national brand known for its safety, reliability, and above all to remove the stigma around cannabis use. Blacklist exceeds Washington State Liquor and Cannabis Board's standards including in its 100% testing for pesticides as additional precaution for the safety of our consumers.

The state of Washington is currently widely regarded as the most competitive market in the United States cannabis market. Management believes that our success in the state of Washington will serve Blacklist well as a launching platform to replicate our success in other recreational markets more specifically markets west of the state of Mississippi. In Washington, Blacklist's IONIC™ brand currently accounts for just over 1% of total gross sales for recreational retail stores in the state of Washington.

California Cannabis Market

With nearly 40 million residents and more than a million medical cannabis patients, California's market represents about a third of the North American cannabis market.[18] The California cannabis market is expected to be one of the fastest growing industries in California over the next five years. Months after California legalized recreational cannabis, sales were estimated to reach US$3.7 billion by the end of 2018 and BDS Analytics predicts that number will reach US$5.1 billion by 2019. According to CFN Media Group, analysts at Cowen & Co. believe the nation's legal cannabis industry could reach US$50 billion by 2026, with California accounting for about US$25 billion of that market.

In 2016, California recorded approximately US$850 million in medical cannabis retail sales from operated dispensaries state wide; however, it is estimated approximately 85% of total transactions are not reported to the State and are carried out through illegal transactions. The University of California Agricultural Issues Center predicts the illegal market to shrink to less than 30%, legal adult recreational sales to increase to approximately 62%, and legal medical sales to decrease from approximately 15% to less than 10% as patients gain an alternative to obtaining medical cannabis physician recommendations for a fee.[19]

Oregon Cannabis Market

Oregonians are expected to spend more than US$1 billion on cannabis products in 2020, according to a new forecast.[20] New Frontier Data projects US$1.04 billion in combined adult recreational use and medical sales in 2020 in Oregon - US$856 million on the recreational side and an additional US$187 million on medical. That will rank the state fifth behind California (US$3.1 billion), Washington (US$2.28 billion), Colorado (US$1.83 billion) and Massachusetts (US$1.05 billion).

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[16] Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from https://mjbizdaily.com/factbook/.
[17] New Frontier Financial. (2015). Modeling of State Patient Counts. *Cannabis Weekly*.
[18] MarketNewsUpdates.com (June 19, 2018). California Cannabis Market Expected to Reach $5.1 Billion Market Value. Retrieved from https://www.prnewswire.com/news-releases/california-cannabis-market-expected-to-reach-51-billion-market-value-685917412.html.
[19] McGreevy, Patrick. (2017 June 11). Legal marijuana could be a $5-billion boon to California's economy. Retrieved from http://www.latimes.com/politics/la-pol-ca-pot-economic-study-20170611-story.html.
[20] Danko, Pete (Aug 10, 2018). Staff Reporter, Portland Business Journal Oregon cannabis sales expected to top $1B by 2020.

Brand Surge

BDS Analytics article, "BDS Analytics Top Ten Cannabis Market Trends for 2018", cites 'brand surge' as the third cannabis market trend demonstrating the importance of developing brand identity in the cannabis industry. For example, in Colorado in 2014, brands captured 19% of the market. By November of 2017, however, the brand share of the cannabis market had doubled, to 38%. Notably, in Colorado, Washington, Oregon and California, the top five edibles brands in each state own more than 40% of the market, and in Colorado and Washington the top five concentrates brands capture more than 70% of the market. Individual brands have the potential to achieve explosive growth. Management's strength is in branding and marketing and Blacklist expects to continue to acquire more market share as it markets and advertises its brand.

Trend Towards Oil and Vaping

As the cannabis industry matures, the types of products available have expanded. In each recreationally legal state, there has been exponential growth in cannabis oil sales. In fact, cannabis oil was the number one product on the rise in The Street's recent article entitled, "*5 Cannabis Products on the Rise in 2018.*" In 2017, concentrate sales rose more than 50%.[21] Unlike the decline of cannabis flower sales in most markets, the concentrates marketplace has been exploding as vaping has become socially acceptable. Today, vape cartridges are one of the cannabis market's most popular items. In California, the cannabis delivery service Eaze reported a 400% increase in oil cartridge purchases between 2015 and 2016 – totaling 25% of the company's total sales.[22]

Trends in the North American Cannabis Market

Blacklist estimates that the global size of the cannabis industry could reach US$180 billion over the next 10 to 15 years as recreational cannabis use is legalized and as a result of expected market growth. Although the current regulatory market in the United States remains challenging, the U.S. cannabis market has the potential to be significantly larger than the Canadian market and is expected to drive growth in the industry.

Support for cannabis legalization reached new highs in 2017.[23] According to a report from Arcview Market Research and BDS Analytics, legal marijuana sales increased to US$9.7 billion in North America in 2017. This value represents a 33% increase from 2016, shattering previous expectations about how quickly the cannabis industry could grow in the face of federal prohibition.[24] The Arcview report also predicted the legal cannabis market to reach US$24.5 billion in sales - a 28% annual compound growth rate - by 2021, as more state-legal markets come online.

Notwithstanding the foregoing, the growing number of states in the United States allowing cannabis for medical and/or recreational use, the potential market for cannabis products is only expected to grow. However, the market and regulatory framework within which Blacklist is seeking to operate continues to evolve and remains subject to change and there are no assurances that such market and framework will develop in a manner consistent with Blacklist's current expectations or at all.

Summary of Blacklist's U.S. Cannabis Activity

Blacklist has an ancillary involvement in the cannabis industry in the states of Washington, Oregon and California. Blacklist has represented to the Issuer that the customer's or investee's business that Blacklist provides products or services to is in compliance with the regulatory framework enacted by the applicable U.S. state. All such activity is recorded through Blacklist and is also reflected in the *pro forma* financial statements as at and for the nine months ended September 30, 2018. As of the date hereof, Blacklist has no direct or indirect cannabis-related activity elsewhere in the United States.

[21] Ward, Andrew (Nov 2, 2017) "Are Cannabis Concentrates Becoming More Popular than Flower?"
[22] Ward, Andrew (Nov 2, 2017) "Are Cannabis Concentrates Becoming More Popular than Flower?"
[23] A Gallup Poll showed that 64% of Americans favor legalization.
[24] Robinson, Melia and Jeremy Berke (June 28, 2018). This map shows every state that has legalized marijuana. Retrieved from https://www.businessinsider.com/legal-marijuana-states-2018-1.

The following table is a summary of Blacklist's balance sheet exposure to U.S. cannabis-related activities, expressed in United States dollars:

	Blacklist
Current assets	US$1,033,042
Non-current assets	US$412,550
Total assets	US$1,445,592
Current liabilities	US$1,709,821
Non-current liabilities[(1)]	US$95,216
Total liabilities	US$1,805,037
Members' equity	US$(359,445)
Total liabilities and Member's equity	US$1,445,592

Note:

(1) Payable to Blacklist.

The following is a summary of the operating losses from U.S. cannabis-related activities for the nine months ended September 30, 2018:

	Blacklist
Revenue	US$3,066,755
Cost of sales	US$1,410,316
Gross margin	US$1,656,439
Less – Operating expenses	US$2,880,640

The operating expenses above exclude any share-based compensation.

The following represents the portion of certain assets on Blacklist consolidated balance sheet that pertain to U.S. cannabis activity as of September 30, 2018:

Balance Sheet Line Item	Percentage which Relates to Holdings with U.S. Marijuana-Related Activities
Cash	$16,465 (100%)
Deposits and Prepaids	$232,102 (100%)
Property and equipment	$412,550 (100%)

Blacklist has looked at all its holdings that are based in the U.S. and given that none of these holdings have any Canadian operating activity, all holdings in such entities was included in the Blacklist's assets.

SELECTED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes financial information of Blacklist for the completed financial year ended December 31, 2017 and the nine month period ended September 30, 2018. This summary financial information should only be read in conjunction with the Blacklist Financial Statements.

	For the nine month period ended (US$)	For the Year Ended December 31, 2017 (US$)
Operating Data:	September 30, 2018	
Total revenues	3,066,135	2,235,828
Total G&A expenses	4,290,956	1,421,438
Net loss from operations	(1,227,201)	(328,314)
Basic and diluted loss per share	(0.15)	(0.04)
Balance Sheet Data:		
Total assets	1,445,592	1,018,432
Total long-term liabilities	1,805,037	63,223

The summary of quarterly results for each of the eight most recently completed quarters preceding the date of this Circular:

Summary of quarterly results	Q3 2018 $	Q2 2018 $	Q1 2018 $	Q4 2017 $	Q3 2017 $	Q2 2017 $
Total	1,374,570	809,510	808,286	600,791	593,269	524,529
Net loss from operations	78,968	(176,246)	15,964	(462,082)	31,542	9,313
Basic and diluted loss per share (1)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)

DIVIDENDS

The constating documents of Blacklist do not limit Blacklist's ability to pay dividends on the Blacklist common shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A copy of the Blacklist's MD&A for the year ended December 31, 2017 and 2016 (the "**Blacklist Annual MD&A**") and for the nine month period ended September 30, 2018 (the "**Blacklist Interim MD&A**") are attached to this Appendix C as Schedule B.

The Blacklist Annual MD&A should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2017. The Blacklist Annual Financial Statements of Blacklist set out in Schedule A attached hereto to Appendix C have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. All amounts are expressed in United States dollars, unless otherwise stated.

The Blacklist Interim MD&A should be read in conjunction with the unaudited interim financial statements and the notes thereto for the three and nine months ended September 30, 2018. The Blacklist Interim Financial Statements set out in Schedule A attached hereto to Appendix C have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The significant accounting policies are the same as those applied in Blacklist's annual financial statements as at and for the year ended December 31, 2017. All amounts are expressed in United States dollars, unless otherwise stated.

DESCRIPTION OF BLACKLIST SHARE CAPITAL

The authorized share capital of Blacklist consists of 127,500,000 common shares with US$0.0001 par value, 2,000,000 Preferred Stock with US$0.0001 par value and 2,000,000 Class A Convertible Preferred Stock with US$0.0001 par value and stated value of US$1.00.

Blacklist Shares

Holders of Blacklist Shares are entitled to receive notice of and to attend all meetings of Blacklist Shareholders. Each common share carries one vote. Subject to the preferences of any series of Preferred Stock, if any, in the event of a liquidation, dissolution or winding up of Blacklist, whether voluntary or involuntary, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the holders of the Blacklist Shares are entitled to receive the remaining property and assets of Blacklist on a pro rata basis. As of the date of this Circular, there were 54,251,241 Blacklist Shares issued and outstanding.

Preferred Stock

The Preferred Stock may be issued in one or more series, from time to time, with each such series to have such designation, relative rights, preferences or limitations, as shall be stated and expressed in the resolutions providing for the issue of such series adopted by the Board of Directors of Blacklist. As of the date of this Circular, there were nil Preferred Shares issued and outstanding.

Class A Convertible Preferred Stock

Holders of Class A Convertible Preferred Stock are entitled to receive cumulative dividends at the rate per share at 7.5% per annum, payable monthly in arrears commencing on March 1, 2017 and thereafter on the commencement of each month. If and when Blacklist declares any dividends to holders of Blacklist Shares, no such dividends shall be paid, unless at the same time or prior thereto all declared, accrued and unpaid dividends on the Class A Convertible Preferred Stock shall be paid. In the event of any liquidation, dissolution or winding up of Blacklist, the holders of Class A Convertible Preferred Shares then outstanding shall be entitled to be paid out of the assets of Blacklist available for distribution to its shareholders, whether from capital, surplus or earnings, before any payment shall be made in respect of the Blacklist Shares or junior stock, an amount equal to $1.00 per share. The holders of the Class A Convertible Preferred Shares and the holders of the Blacklist Shares issued and outstanding shall have and possess equal rights to notice of shareholder's meetings, and identical voting rights and powers to vote upon the election of directors or upon any other matter.

The holder of record of any share or shares of Class A Convertible Preferred Stock have the right to convert, at any time, one share of Class A Convertible Preferred Stock into one fully paid and nonassessable Blacklist Share at a conversion price of $1.00 per Blacklist Share.

Blacklist has the right, at its option, to cause all or a portion of the outstanding shares of Class A Convertible Preferred Stock to be redeemed, subject to the legal availability of funds therefore, at a redemption as determined in its Articles of Incorporation (the "**Redemption Price**"). On and after the date of redemption, provided that the Redemption Price has been paid, dividends will no longer be payable on the Class A Convertible Preferred Stock called for redemption. These shares will no longer be deemed to be outstanding, and the holders of these shares will have no rights as shareholders, except the right to receive the Redemption Price, without interest, upon surrender of the certificates evidencing the shares of Class A Convertible Preferred Stock to be redeemed.

The Class A Convertible Preferred Stock is not redeemable at the holder's option.

As of the date of this Circular, there were nil Class A Convertible Preferred Stock issued and outstanding.

Share Purchase Warrants

As of the date of this Circular, there were 758,340 share purchase warrants outstanding. Each warrant entitles the holder to acquire one common share of Blacklist upon due exercise thereof, including, without limitation, payment of the exercise price therefor. Further details as to the terms and exercise price of the share purchase warrants are set out under "Consolidated Capitalization" below.

CONSOLIDATED CAPITALIZATION

Common Shares

The following table sets forth the Blacklist common shares as of the Record Date:

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of the Record Date
Blacklist Common Shares	Unlimited Number	54,251,241

Blacklist Warrants

The following table sets forth the Blacklist common share purchase warrants outstanding as of the Record Date:

Number of Warrants	Exercise Price (C$)	Expiry Date
758,340	$0.50	18 months from the Closing Date

Blacklist Debentures

The following table sets forth the Blacklist Debentures outstanding as of the Record Date:

Principal Amount of Debentures	Conversion Price (C$)	Number of Common Shares upon Conversion	Maturity Date
$735,000	$0.035	21,000,000	July 6, 2019
$1,200,000	$0.25	4,800,000	October 2, 2019
$1,250,000	$0.40	3,125,000	October 10, 2019
$1,586,708	$0.50	3,173,416	November 26 and December 4, 2019

PRIOR SALES

For the 12-month period prior to the date of this Circular, the following securities of Blacklist were sold:

- On July 6, 2018, Blacklist issued Blacklist Debentures for an aggregate principal amount of $735,000 which are convertible into Blacklist Shares at a conversion price of $0.035 per Blacklist Share.

- On July 18, 2018, Blacklist issued 318,750 Blacklist Shares to a former consultant and director.

- On October 2, 2018, Blacklist issued Blacklist Debentures for an aggregate principal amount of $1,200,000 which are convertible into Blacklist Shares at a conversion price of $0.25 per Blacklist Share.

- On October 10, 2018, Blacklist issued Blacklist Debentures for an aggregate principal amount of $1,250,000 which are convertible into Blacklist Shares at a conversion price of $0.40 per Blacklist Share.

- On November 1, 2018, Blacklist issued 27,107 Blacklist Shares to an employee in lieu of payroll.

- On November 1, 2018, Blacklist issued 1,000 Blacklist Shares to a consultant.

- On November 1, 2018, Blacklist issued 459,390 Blacklist Shares at various issue prices to settle amounts owing to officers and directors of Blacklist equal to $225,000.

- On November 26 and December 4, 2018, Blacklist issued Blacklist Debentures for an aggregate principal amount of $1,586,708 which are convertible into Blacklist Shares at a conversion price of $0.50 per Blacklist Shares. In addition, Blacklist issued an aggregate of 162,000 Blacklist Finder's Warrants to certain finders.

- On November 26, 2018, Blacklist issued 2,000,000 Blacklist Shares at an issue price of $0.50 per Blacklist Share to settle amounts owing to an arm's length third party equal to $1,000,000.

- On November 26 and December 4, 2018, Blacklist Finco issued 14,280,146 Subscription Receipts pursuant to the Subscription Receipt Financing for gross proceeds of $7,140,073. In addition, Blacklist issued an aggregate of 596,340 Blacklist Finder's Warrants to certain finders in connection with the Subscription Receipt Financing.

- On December 5, 2018, Blacklist issued 2,459,390 Blacklist Shares to settle amounts owing to consultants, vendors and certain officers and directors of Blacklist equal to $1,229,695.

- On December 5, 2018, Blacklist issued 459,390 Blacklist Shares at an issue price of $0.50 per Blacklist Share to settle amounts owing to officers and directors of Blacklist equal to $229,695.

- On December 20, 2018, Blacklist issued 904,070 Blacklist Shares to settle amounts owing to a consultant equal to $452,485.

- On December 20, 2018 Blacklist issued 440,000 Blacklist Shares on the exercise of warrants by various officers, employees and consultants of Blacklist.

TRADING PRICE AND VOLUME OF THE BLACKLIST SHARES

The Blacklist Shares are not traded on any stock exchanges.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

There are no securities of Blacklist that are subject to escrow or restrictions on transfer.

PRINCIPAL SECURITYHOLDERS

Name	Number of Issuer Shares Held	Percentage of class[(1)]
John Gorst	17,049,641	31.4%
Andrew Schnell	17,129,641	31.6%

Notes:

(1) The total issued and outstanding Blacklist Shares as of the Record Date is 54,251,241 on an undiluted basis.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Securityholdings

The names and province or state and country of residence of the directors and executive officers of Blacklist, positions held by them with Blacklist and their principal occupations during the past five years are as set forth below. The term of office of each of the present directors expires at the next annual general meeting of shareholders. After each such meeting, the Board of Directors appoints Blacklist's officers and committees for the ensuing year.

Name and Municipality of Residence Held	Position	Principal Occupation	Number and Percentage of Blacklist Shares[(1)]
John Gorst Tacoma, WA	Chairman and CEO Director	Chairman and CEO of Blacklist from September 2017 to present; Vice Chairman and Chief Strategy Officer of Cloud X Partners from December 2015 to October 2016 and Vice Chairman through April 2017. Chairman and CEO of CloudRunner, Inc. from February 2014 to December 2015; Chairman and CEO of InsynQ Inc. from December 1997 to April 2014.	17,049,641 (31.4%)
Andrew Schell Tacoma, WA	Chief Strategies Officer Director	Chief Strategies Officer of Blacklist from September 2016 to present; Co-founder and Director of Ha Coffee Bar from November 2013 to present; Co-founder and President of Sound Development Group from November 2004 to present; Founder and CEO of A.W. Schell Electrical Services Inc. from November 1999 to March 2014.	17,129,641 (31.6%)
Bryen Salas Tacoma, WA	Vice President Director	Co-founder and Vice President of Blacklist from July 2017 to present; Vice President of Sales of Blacklist from December 2015 to July 2017	3,732,153 (6.9%)
Austin Gorst Portland, OR	Vice President and General Manager of Oregon Operations Director	Co-founder of Blacklist from 2014 to present; Sales Representative of InsynQ, LLC from April 2010 to October 2015.	2,338,596 (4.3%)

Name and Municipality of Residence Held	Position	Principal Occupation	Number and Percentage of Blacklist Shares[1]
Christian Struzan	Director	Founder of XS Brand Inc. from July 2014 to present; CEO of XL Family of Companies from May 2002 to July 2014; Vice President of Armslength Promotions from March 2004 to February 2014.	5,248,176 (9.7%)
Scott M. Manson	Chief Financial Officer	Managing Member of Greyzdorf LLC a real estate investment firm. He previously was a director and CFO of Sprizzi Drink Co., a start-up manufacturer and distributor of beverage dispensing machines, from 2012 to 2016.	160,000 (0.3%)
M. Carroll Benton [2][3][4] Director Corvallis, OR	Director	Chief Financial Officer and Director of InsynQ, Inc. from August 1997 to 2015	318,750 (0.6%)
Brian T. Lofquist[2][3][4] Director Seattle, WA	Director	Consultant at The Lofquist Group from January 2013 to present; Director of FlowWorks Inc. from November 2012 to present; President/General Manager of FlowWorks Inc. from June 2014 to present.	Nil

Notes:

1. The information as to common shares beneficially owned or controlled has been provided by the directors or officers themselves.

The directors and officers of Blacklist, as a group, beneficially own, directly or indirectly, or exercise control over 45,976,957 common shares, representing approximately 84.7% of the issued and outstanding Blacklist common shares as of the date hereof.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer (a) is, as at the date of this Circular, or has been, within ten years before the date of this document, a director or executive officer of any corporation (including Blacklist) that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under the securities legislation, for a period of more than 30 consecutive days;

(ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in Blacklist being the subject of a cease trade order or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days.

No director or executive officer (a) is, as at the date of this Circular or has been, within ten years before the date of this document, a director, chief executive officer or chief financial officer of any corporation (including Blacklist) that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under the securities legislation, for a period of more than 30 consecutive days or; (ii) was subject to an event that resulted, after the director executive officer ceased to be a director, chief executive officer or chief financial officer in the corporation being the subject of a cease trade order or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days.

No director executive officer or shareholder holding a sufficient number of securities of Blacklist to materially affect the control of Blacklist (a) is, as at the date of this Circular, or has been within ten years before the date of the Circular, a director or executive officer of any corporation (including Blacklist) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the ten years before the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of Blacklist, or a shareholder holding sufficient number of securities of Blacklist to affect materially the control of Blacklist, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of Blacklist's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies. For a list of the other reporting issuers in which directors of Blacklist also serve as directors, please see the directors' and insider's profile available on SEDI at www.sedi.ca. To the extent that such other companies may participate in ventures in which Blacklist may participate, the directors of Blacklist may have a conflict of interest in negotiating and concluding terms regarding the extent of such participation. In the event that such a conflict of interest arises at a meeting of Blacklist's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular corporation will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of Blacklist making the assignment. Under the laws of Canada, the directors of Blacklist are required to act honestly, in good faith and in the best interests of Blacklist. In determining whether or not Blacklist will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which Blacklist may be exposed and its financial position at that time.

As of the date of the Circular, none of the directors and officers of Blacklist are a director or officer of any other reporting issuers.

EXECUTIVE COMPENSATION

The following table, prepared in accordance with Form 51-102F6, sets forth all annual and long term compensation for services in all capacities to Blacklist for the three most recently completed financial

years of Blacklist in respect of each of the individuals comprised of each Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at December 31, 2018 whose total compensation was, individually, more than $150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of Blacklist, nor acting in a similar capacity, for the most recently completed financial year ending December 31, 2018 (collectively the "**Named Executive Officers**" or "**NEOs**").

NEO Name and Principal Position	*Year*	*Salary US($)*	*Share-Based Awards US($)*	*Option-Based Awards US($)*	*Non-Equity Incentive Plan Compensation US($)*		*Pension Value US $)*	*All Other Compensation US($)*	*Total Compensation US($)*
					Annual Incentive Plans	*Long-term Incentive Plans*			
John Gorst CEO and Director	2018	129,000	5,158	56,234	-	-	-	-	190,492
	2017	35,000	-	-	-	-	-	-	35,000
	2016	NIL	-	-	-	-	-	-	NIL
Andrew Schell Chief Strategies Officer	2018	72,500	5,158	56,234	-	-	-	-	133,992
	2017	32,500	-	-	-	-	-	-	32,500
	2016	17,500	-	-	-	-	-	-	17,500
Bryen J. Salas Vice President	2018	135,831	1,146	11.247	-	-	-	-	148,224
	2017	133,110	-	-	-	-	-	-	133,110
	2016	86,268	-	-	-	-	-	-	86,268
Scott M. Manson Chief Financial Officer	2018	35,000	-	112,468	-	-	-	-	147,468
	2017	N/A	-	-	-	-	-	-	N/A
	2016	N/A	-	-	-	-	-	-	N/A
Christian Struzan Chief Marketing Officer	2018 2017 2016	124,000 N/A N/A	1,586	28,117	-	-	-	-	153,703 N/A N/A
Austin Gorst Vice President	2018 2017 2016	99,542 69,027 64,465	716	11,247	-	-	-	-	111,505 69,027 64,465
Johnny Strange Chief Revenue Officer	2018 2017 2016	57,500 7,225 N/A	153	-	-	-	-	144,866	202,519 7,225 N/A

Compensation Discussion and Analysis

Blacklist does not have in place any formal objectives, criteria or analysis for determining or assessing the compensation of its executive officers and Directors, nor does it have a compensation committee.

Blacklist is aware of the challenges that it faces in its present stage of development and the financial limitations of being a fast growing company that provides services and products to the nascent cannabis industry. Corporate performance and level of activity has been a consideration in determining compensation. As Blacklist's business and operations grow in size and complexity, it is anticipated that it will establish a compensation committee with formal objectives and policies, including specific performance goals or benchmarks as such relate to executive compensation, that will review compensation practices of companies of similar size and stage of development to ensure the compensation paid is competitive within the company's industry.

The compensation of Blacklist's officers and directors is based on an incentive philosophy with the intent that all efforts will be directed toward a common objective of creating shareholder value. The compensation strategy is to attract talent and experience with focused leadership in the operations, financing, and management of the company with the objective of maximizing the value of the company.

The officers and board of directors each have defined skills and experience that are essential to a fast growing company that provides services and products to the emerging cannabis industry.

Base Salary or Consulting Fees

Base salary ranges for executive officers were initially determined upon a review of companies within the manufacturing industry, which were of the same size as Blacklist, at the same stage of development as Blacklist and considered comparable to Blacklist.

In determining the base salary of an executive officer, the board of directors of Blacklist considers the following factors:

(a) The particular responsibilities related to the position;
(b) Salaries paid by other companies that are similar in size and scope of business;
(c) The experience level of the executive officer;
(d) The amount of time and commitment which the executive officer devotes to Blacklist; and
(e) The executive officer's overall performance and performance in relation to the achievement of corporate milestones and objectives.

Bonus Incentive Compensation

Blacklist's objective is to achieve certain strategic objectives and milestones. The board of directors of Blacklist will consider executive bonus compensation dependent upon Blacklist meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. The board of directors of Blacklist approves executive bonus compensation dependent upon compensation levels based on information provided by issuers that are similar in size and scope to Blacklist's operations.

Equity Participation

Blacklist has no stock option plan currently in place.

Actions, Decisions or Policy Changes

Given the evolving nature of Blacklist's business, the board of directors of Blacklist continues to review the overall compensation plan for senior management so as to continue to address the objectives identified above.

Risks Associated with Blacklist's Compensation Practices

Blacklist's directors have not considered the implications of any risks to Blacklist associated with decisions regarding Blacklist's compensation program. Blacklist intends to formalize its compensation policies and practices and will take into consideration the implications of the risks associated with Blacklist's compensation program and how it might mitigate those risks.
Benefits and Perquisites

Blacklist does not offer any health insurance benefits to its NEOs.
Hedging by Named Executive Officers or Directors

Blacklist has not, to date, adopted a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by executive officers or directors.

Outstanding Share-Based Awards and Option-Based Awards

Blacklist does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to the NEOs.

Pension Plan Benefits

Blacklist does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

Termination and Change of Control Benefits

Blacklist has no compensatory plan, contract or agreement with any NEO.

Director Compensation

The directors of Blacklist do not receive any compensation or fees in their capacity as directors or a committee chair. Other than described herein, there were no other arrangements under which directors were compensated by Blacklist during the two most recently completed financial years for their services in their capacity as directors.

No directors receive monthly compensation and no director receives compensation for attending board meetings or committee meetings.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof Circular and during the financial year ended May 31, 2017, no director or executive officer of Blacklist (and each of their associates and/or affiliates) was indebted, including under any securities purchase or other program, to (i) Blacklist or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended May 31, 2017, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Blacklist or its subsidiaries.

RISK FACTORS

See *Appendix D - Information Concerning the Resulting Issuer – Risk Factors.*

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of Blacklist's knowledge, there were no legal proceedings as of the date of this Circular to which Blacklist was a party or of which any of Blacklist's property was subject that would have had a material adverse effect on the Blacklist, nor are there any such legal proceedings existing or contemplated to which Blacklist is a party or of which Blacklist's property is subject that would have a material adverse effect on Blacklist.

There have been no penalties or sanctions imposed against Blacklist by a court relating to securities legislation or by a securities regulatory authority as of the date of this Circular, or any other time that would likely be considered important to a reasonable investor making an investment decision in Blacklist. Blacklist has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority as of the date of this Circular.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than transactions carried out in the ordinary course of business of Blacklist or disclosed herein, none of the directors or executive officers of Blacklist, any shareholder directly or indirectly beneficially owning, or exercising control or direction over, more than 10% of the outstanding Blacklist Shares, nor an associate or affiliate of any of the foregoing persons has had, during the three most recently completed financial years of Blacklist or during the current financial year, any material interest, direct or indirect, in any transactions that materially affected or would materially affect Blacklist.

John Gorst and Carroll Benton have controlling interests in Ionic and have an interest in the purchase agreement between Ionic and Blacklist dated January 10, 2016.

AUDITOR

The auditors of Blacklist are Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants, located at 1500 – 1140 West Pender Street, Vancouver, British Columbia V6E 4G1.

INTERESTS OF EXPERTS

Dale Matheson Carr-Hilton LaBonte LLP, Blacklist's current auditors, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The aforementioned firms and persons held either less than one percent or no securities of Blacklist or of any associate or affiliate of Blacklist when they prepared the technical reports or information referred to, or following the preparation of such reports or information.

None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, are currently, or are expected to be elected, appointed or employed as, a director, officer or employee of Blacklist or of any associate or affiliate of Blacklist.

SCHEDULE A TO APPENDIX C

BLACKLIST FINANCIAL STATEMENTS

[See Attached]

Blacklist Holdings Inc.

Financial Statements

Years Ended December 31, 2017 and 2016

Expressed in United States Dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors and Shareholders of Blacklist Holdings Inc.

We have audited the accompanying financial statements of Blacklist Holdings Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blacklist Holdings Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Blacklist Holdings Inc.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada,
December 21, 2018

Blacklist Holdings Inc.
Statements of Financial Position
Expressed in US dollars

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		$ 13,618	$ 26,542
Receivables	7	600,810	388,792
Inventory	3	-	4,645
		614,428	419,979
Non-current assets			
Property and equipment	4	404,004	401,546
TOTAL ASSETS		$ 1,018,432	$ 821,525
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	$ 561,122	$ 213,684
Loans payable	6	776,258	637,474
Current portion of vehicle loans	8	27,030	15,500
		1,364,410	866,658
Non-current liabilities			
Vehicle loans	8	63,223	41,810
TOTAL LIABILITIES		1,427,633	908,468
SHAREHOLDERS' EQUITY			
Share capital	9	130,976	124,920
Deficit		(540,177)	(211,863)
TOTAL SHAREHOLDERS' EQUITY		(409,201)	(86,943)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 1,018,432	$ 821,525

Nature and Continuance of Operations (Note 1)
Commitments (Note 8)
Subsequent events (Notes 1 and 13)

Approved and authorized for issue by the Board of Directors on December 20, 2018.

"John Gorst"	"Austin Gorst"
Director	Director

Blacklist Holdings Inc.
Statements of Loss and Comprehensive loss
Expressed in US dollars

	Notes	Years ended December 31, 2017	Years ended December 31, 2016
Revenue			
Product sales	7	$ 1,413,930	$ 717,556
Equipment rental income	7	345,413	232,385
Royalty income	8	476,485	116,281
		2,235,828	1,066,222
Cost of goods sold	3	918,361	484,517
		1,317,467	581,705
Operating expenses			
Business development		$ 288,838	$ 259,661
Depreciation	4	109,815	46,638
Interest and finance charges	6, 7	102,593	65,251
Office and administration		192,402	180,404
Professional fees		37,061	35,478
Rent expense	7	92,797	42,903
Research and development		3,864	3,205
Salaries and wages		482,107	38,817
Share based payments	7, 9	6,056	6,056
Travel		71,439	60,245
Utilities		34,466	22,894
		1,421,438	761,552
Other items:			
Impairment of related party receivables	7	191,120	30,437
Write-off of accounts payable		(27,777)	-
Write-off of non-refundable deposit		61,000	-
Loss and Comprehensive loss		**$ (328,314)**	**$ (212,284)**
Loss per share – basic and diluted		**$ (0.04)**	**$ (0.03)**
Weighted average number of shares outstanding – basic and diluted		**7,507,068**	**7,362,485**

The accompanying notes are an integral part of these financial statements.

Blacklist Holdings Inc.
Statement of Changes in Shareholders' Equity
Expressed in US dollars

		Share capital			
	Notes	**Number of shares**	**Amount**	**Deficit**	**Total**
Balance at December 31, 2015		7,350,000	$ 118,864	$ 421	$ 119,285
Shares issued for services rendered	9	147,000	6,056	-	6,056
Net loss for the year		-	-	(212,284)	(212,284)
Balance at December 31, 2016		7,497,000	124,920	(211,863)	(86,943)
Shares issued for services rendered	7, 9	147,000	6,056	-	6,056
Net loss for the year		-	-	(328,314)	(321,314)
Balance at December 31, 2017		7,644,000	$ 130,976	$ (540,177)	$ (402,201)

The accompanying notes are an integral part of these financial statements.

Blacklist Holdings Inc.
Statements of Cash Flows
Expressed in US dollars
For the years ended December 31, 2017 and 2016

	Year ended	
	December 31, 2017	**December 31, 2016**
Operating activities		
Loss for the year	$ (328,314)	$ (212,284)
Adjustments for:		
Depreciation	109,815	48,639
Interest expense	102,593	65,251
Impairment of related party receivable	191,120	30,437
Share based payments	6,056	6,056
Write-off of accounts payable	(27,777)	-
Write-off of non-refundable deposit	61,000	-
Changes in non-cash working capital items:		
Receivables	(403,138)	(359,847)
Accounts payables and accrued liabilities	517,100	472,316
Inventory	4,645	(3,595)
Net cash flows from operating activities	233,100	46,973
Investing activities		
Purchase of property, plant and equipment	(115,532)	(236,376)
Net cash flows used in investing activities	(115,532)	(236,376)
Financing activities		
Proceeds from loans payable	38,991	331,500
Repayment of loans payable	(153,853)	(90,563)
Repayment of vehicle loans	(15,630)	(25,643)
Net cash flows from (used in) financing activities	(130,492)	215,294
Increase (decrease) in cash	(12,924)	25,891
Cash, beginning of the year	26,542	651
Cash, end of the year	**$ 13,618**	**$ 26,542**
Supplemental cash flow information:		
Interest paid in cash during the period	$ 40,830	$ -
Reclassification of accounts payable to loans payable	164,343	279,787
Acquisition of motor vehicles through vehicle loans	48,444	78,537
Proceeds for loans payable through property, plant and equipment	9,297	41,415

1. NATURE AND CONTINUANCE OF OPERATIONS

Blacklist Holdings Inc. (the "Company") was incorporated on February 26, 2014, under the General Corporation Law of the State of Washington. The Company's core business activities are specializing in sale of cannabis related hard goods (such as cartridges, applicators, pens, jars, etc.), licensing its intellectual property ("Licensed IP") and leasing its equipment to processors.

The Company's head office is located at 2915 S. M St., Tacoma, Washington, USA.

The Company executed a letter of intent with Skanderbeg Capital Advisors Inc. ("Skanderbeg"), whereby it would acquire 100% of the issued and outstanding securities of the Company, in exchange for cash and securities of Skanderbeg. In consideration of the transaction, Skanderbeg shall or will cause a Canadian listed reporting issuer ("Pubco") to issue 51,000,000 common shares of the Pubco to shareholders of the Company. Subject to the closing, the Company will issue financings in the amount no less than $3,250,000 as convertible debentures. On June 18, 2018, Skanderbeg executed an assignment and novation agreement with Zara Resource Inc. ("Zara"), a public company listed on the Canadian Stock Exchange ("CSE"), pursuant to which Skanderbeg assigned to Zara the rights and obligations of the letter of intent between Skanderbeg and the Company.

On June 18, 2018, the Company and Zara have entered into a Letter of Intent ("LOI"), pursuant to which Zara will acquire all of the issued and outstanding common shares of Blacklist in consideration for Zara common shares on a one-for-one basis (the "Transaction"). As a result of the acquisition of Blacklist, Zara will become the sole registered owner of all the outstanding Blacklist shares.

These financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has incurred losses and it will require further financing to operate and further develop its business. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for all periods presented. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements were authorized for issue by the Board of Directors on December 21, 2018.

Basis of preparation

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements are presented in US dollars, except when otherwise indicated. The functional currency of the Company is determined based on the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the US dollar.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Significant estimates and assumptions

The preparation of a Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Estimated useful lives and depreciation of property, plant and equipment
Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Impairment
The carrying value of long lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the statement of operations. The assessment of fair values, require the use of estimates and assumptions for recoverable production, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long lived assets could impact the impairment analysis.

Allowance for doubtful accounts, and the recoverability of receivables
Significant estimates are involved in the determination of recoverability of receivables and no assurance can be given that actual proceeds will not differ significantly from current estimations. Management has made significant assumptions about the recoverability of receivables. During the year ended December 31, 2017 the Company recorded an impairment expense of $191,120 (December 31, 2016: $30,437) for receivables where collection is doubtful.

Contingencies
The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Income taxes

The assessment of income taxes involved the probability of realizing deferred tax assets, in relation to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessment, management give additional weight to positive and negative evidence that can be objectively verified.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the fair value and classification of financial instruments; and
- the classification of leases as either operating or finance type leases.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. At December 31, 2017 and 2016, the Company had no dilutive instruments outstanding.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's non-financial assets (which includes property, plant and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred the Company are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Amortization rate
Motor Vehicles	5 years – 20%
Computer equipment	3 years – 33%
Lab equipment	5 years – 20%
Furniture and equipment	7 years – 14%
Machinery and equipment	10 years – 10%
Leasehold improvements	Term of lease

Inventory

Inventory is valued initially at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

Revenue

Revenue comprises the fair value of consideration received or receivable for the sale of goods, equipment rental agreements and royalty per licensing agreements in the ordinary course of the Company's business. Revenue is shown net of return allowances and discounts.

Revenue from the sale of goods is recognized when the persuasive evidence of an arrangement between the Company and the customer exists, the Company has transferred the significant risks and rewards of ownership to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, and the probability of the economic benefits of the transaction can be reasonably estimated. Significant risks and rewards are generally considered to be transferred when the Company's suppliers have shipped the product to customers.

Revenue from equipment rental agreements and royalty licensing agreements are recognized based on the terms of the contracts. Revenue is recognized at the fair value of consideration received or receivable.

Cost of goods sold

Cost of goods sold includes the expenses incurred to acquire and produce inventory for sale, including product costs, inbound freight and duty costs, as well as provisions related to product shrinkage, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

Standards and interpretations not year adopted

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Expressed in US dollars

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

3. INVENTORY

Inventory consists of cartridges, applicators, pens, jar and all other hard goods for packing of cannabis infused products. As at December 31, 2017, the Company had $Nil (December 31, 2016 - $4,645) in inventory.

During the year ended December 31, 2017, $748,927 (2016 - $343,398) of inventory was sold and recognized in cost of goods sold.

4. PROPERTY AND EQUIPMENT

	Motor Vehicles	Computer equipment	Furniture and fixtures	Leasehold improvements	Lab equipment	Total
Cost:						
At December 31, 2015	$ -	$ -	$ -	$ -	$ 104,735	$ 104,735
Additions	78,537	21,111	21,559	96,002	139,119	356,328
At December 31, 2016	78,537	21,111	21,559	96,002	243,854	461,063
Additions	58,444	5,445	5,202	13,234	29,948	112,273
At December 31, 2017	$ 136,981	$ 26,556	$ 26,761	$ 109,236	$ 273,802	$ 573,336
Amortization:						
At December 31, 2015	$ -	$ -	$ -	$ -	$ 10,879	$ 10,879
Charge for the period	11,350	2,598	2,081	11,717	20,892	46,638
At December 31, 2016	11,350	2,598	2,081	11,717	31,771	59,517
Charge for the period	22,688	8,027	3,784	36,394	38,922	109,815
At December 31, 2017	$ 34,038	$ 10,625	$ 5,865	$ 48,111	$ 70,693	169,332
Net book value:						
At December 31, 2016	$ 67,187	$ 18,513	$ 19,478	$ 84,285	$ 212,083	$ 401,546
At December 31, 2017	$ 102,943	$ 15,931	$ 20,896	$ 61,125	$ 203,109	$ 404,004

Expressed in US dollars

5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	$ 498,758	$ 196,684
Amounts due to related parties (Note 7)	54,500	17,000
Amounts due for vehicle loans (Note 8)	7,864	-
	$ 561,122	$ 213,684

During the year ended December 31, 2017, $27,777 (December 31, 2016: $nil) in accounts payable was written off due to forgiveness by creditors.

6. LOANS PAYABLE

On December 31 2016, the Company entered into a promissory note agreement with a director of the Company for the amount of $357,483 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, the Company entered into a revised promissory note agreement with the director for the amount of $353,219 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2018. As at December 31, 2017, the balance outstanding including accrued interest is $409,738 (December 31, 2016: $394,296).

During the year ended December 31, 2015, the Company issued a promissory note to a director of the Company for the amount of $5,000. The promissory note is non-interest bearing, unsecured and due on demand. As at December 31, 2017, the balance outstanding including accrued interest is $nil (December 31, 2016: $2,373).

During the year ended December 31, 2015, the Company issued a promissory note to a company related to a director of the Company for the amount of $9,274. The promissory note is interest bearing at 10.5% per annum, unsecured and due on demand. As at December 31, 2017, the balance outstanding including accrued interest is $11,670 (December 31, 2016: $10,786).

On December 31 2016, the Company entered into a promissory note agreement with a director of the Company for the amount of $216,002 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, the Company entered into a revised promissory note agreement with the director for the amount of $298,712 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2018. As at December 31, 2017, the balance outstanding including accrued interest is $317,108 (December 31, 2016: $216,002).

During the year ended December 31, 2015, the Company issued a promissory note to a former director of the Company for the amount of $16,337. The promissory note is non-interest bearing, unsecured and due on demand. As at December 31, 2017, the balance outstanding including accrued interest is $9,809 (December 31, 2016: $14,017).

Expressed in US dollars

On October 31, 2017, the Company entered into a business loan and security agreement for the amount of $30,000. The note is interest bearing at 11.48% per annum, secured by all assets of the Company and due on October 31, 2018. As at December 31, 2017, the balance outstanding including accrued interest is $27,933 (December 31, 2016: $nil).

A continuity of the loans payable is as follows:

	December 31, 2017	December 31, 2016
Balance, at the beginning of the year	$ 637,474	$ 16,274
Loans issued during the year	212,632	652,702
Interest expense	80,005	59,061
Repayments of loans payable	(153,853)	(90,563)
	$ 776,258	$ 637,474

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended December 31, 2017 and 2016 was as follows:

	December 31, 2017	December 31, 2016
Salaries and wages – CEO of the Company	$ 25,831	$ -
Salaries and wages – directors of the Company	72,038	4,000
Salaries and wages – former director of the Company	28,855	-
Share based payments	3,028	-
	$ 129,752	$ 4,000

Accounts payable and accrued liabilities

As at December 31, 2017, the following is included in accounts payable in related to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

i. $21,500 (December 31, 2016: $5,000) owing to a director of the company for services rendered.

ii. $33,000 (December 31, 2016: $12,000) owing to a company related to a director of the Company for rent payments.

Loans payable

As at December 31, 2017, included in loans payable is $748,325 (December 31, 2016 - $637,474) owing to related parties (Note 6). In relation to the loans payable, during the year ended December 31, 2017, the Company recorded interest expense of $76,596 (December 31, 2016: $59,061) from related parties.

Accounts receivables

As at December 31, 2017, the following is included in accounts receivable in related to transactions with related parties:

i. $600,810 (December 31, 2016: $388,792) owing to a company related to a company jointly owned by the CEO and former CFO for all of the revenue incurred.

Expressed in US dollars

7. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties:

During the year ended December 31, 2017, the Company had product sales to a company jointly owned by the CEO and former CFO of $1,413,930 (2016 - $717,556).

On October 1, 2016, the Company entered into a commercial lease agreement with a company owned by a director of the Company for its head office. Under the agreement the Company is required to make lease payments for a term of 3 years (Note 8). During the year ended December 31, 2017, the Company recorded rent expense of $51,000 (December 31, 2016: $12,000) to the related party.

During the year ended December 31, 2015, the Company entered into an Asset Lease Agreement with a company jointly owned by the CEO and former CFO. Under the agreement, the Company leased its equipment for monthly fees of $10,000. Shortly after the execution of the agreement, both parties mutually filed amendments for fees payable when new equipment was added to the original leased equipment. During the year ended December 31, 2017, the Company had recognized equipment rental income of $345,413 (December 31, 2016: $232,385).

On January 1, 2016, the Company entered into Licensing Agreement with a company jointly owned by the CEO and former CFO (the "Licensee"). Under the agreement, the Company grants the Licensee a non-exclusive, non-transferrable, non-assignable royalty bearing license to reproduce, distribute, publically display, and publicly perform the Licensed IP. As consideration of the license granted, the Licensee shall pay the Company royalty fees of 5% of its gross revenue for a period of three years. On January 1, 2017, the consideration was increased to be 10% of gross revenue. During the year ended December 31, 2017, the Company recognized royalty income of $476,485 (December 31, 2016: $116,281).

During the years ended December 31, 2017, the Company incurred $191,120 to two companies controlled by the Company's CEO (2016 - $30,437) in connection with the start-up of the businesses. The ability of these companies to repay the amounts owing is uncertain and therefore the amounts receivable have been impaired in full.

Equity

During the year ended December 31, 2017, the Company issued 73,500 post stock split shares to a director of the Company for services rendered for a fair value of $3,028, recorded as share based payments.

8. COMMITMENTS

Vehicle loans

The Company obtained financing for motor vehicles acquired. The loans are secured by the vehicle financed. The loans have terms ranging from 60 – 72 months and bear interest at 5.60% - 12.35%.

A continuity of the vehicle loans is as follows:

	December 31, 2017	December 31, 2016
Balance, at the beginning of the year	$ 57,310	$ -
Loans issued during the year	48,444	78,537
Interest expense	7,993	4,416
Repayments of loans payable	(15,630)	(25,643)
Amounts included in accounts payable (Note 5)	7,864	-
	90,253	57,310
Current	27,030	15,500
Long-term	$ 63,223	$ 41,810

Expressed in US dollars

8. COMMITMENTS (continued)

A schedule for the Company's future minimum principal payments over the term of the leases is as follows:

Year	Principal payments
2018	$ 18,664
2019	20,509
2020	22,566
2021	14,852
2022	10,419
2023	3,243
Total	$ 90,253

Operating lease

The Company has obligations under operating lease for its head office, with a term of three years, expiring on August 31, 2019.

Year	Lease payments
2018	$ 60,000
2019	40,000
Total	$ 100,000

9. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of the following:

127,500,000 common shares with $0.0001 par value – voting, non-redeemable and noncumulative;

2,000,000 Preferred Stock with $0.0001 par value – non-voting and noncumulative;

2,000,000 Class A Convertible Preferred Stock with $0.0001 par value – voting, with stated value of $1.00, cumulative dividends at the rate per share of 7.5% per annum, and convertible at the option of the holder, at any time, into common shares at a conversion price of $1.00.

Common shares

On December 6, 2017, the Company issued 147,000 common shares for services rendered with a fair value of $6,056, of which 73,500 common shares were issued to a director of the Company.

Effective May 8, 2017, the Company executed a forward stock-split of its issued and outstanding common shares on a 1 to 7 basis All references to common shares, stock options and warrants in these financial statements have been adjusted to reflect this change.

On November 30, 2016, the Company issued 147,000 common shares for services rendered with a fair value of $6,056.

Expressed in US dollars

10. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2017	December 31, 2016
Net loss	$ (328,314)	$ (212,284)
Statutory tax rate	34.0%	34.0%
Expected income tax recovery at the statutory tax rate	$ (110,000)	$ (73,000)
Adjustments to prior year provisions versus statutory tax returns	41,000	(107,000)
Change in unrecognized deferred assets	69,000	180,000
Income tax recovery	$ -	$ -

As at December 31, 2017, the Company has US tax losses of approximately 240,000 that may be carried forward indefinitely and applied against taxable income of future years.

Tax attributes are subject to review, and potential adjustments, by tax authorities.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

The Company's primary exposure to credit risk is on its accounts receivable. All of the Company's receivables are due from a related party resulting in a concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to currency risk as its sales and expenditures are denominated in the same currency as its functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Based on borrowings that accrue interest as at December 31, 2017 and 2016, a 1% change in interest rate would not have a significant impact on net loss.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

12. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2016.

13. SUBSEQUENT EVENTS

(a) Effective October 2018, the Company executed a forward stock-split on a 1 to 6.375 basis. All references to common shares in the subsequent events notes have been adjusted to reflect this change.

(b) Subsequent to year ended December 31, 2017, the Company issued 3,080,741 common shares for services rendered and settlement of debt, of which 2,647,060 common shares were issued to directors of the Company.

(c) Subsequent to December 31, 2017, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for CAD $1,665,000. The Convertible Debenture bears interest at 0% per annum; however, if the Letter of Intent is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the Letter of Intent. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Letter of Intent is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of Transaction CAD $735,000 and CAD $930,000 of the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into share at CAD $0.035 and $0.25 per share, respectively.

(d) Subsequent to December 31, 2017, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of CAD $1,250,000. The Convertible Debenture bears interest at 0% per annum, provided, however that if the Letter of Intent is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the Letter of Intent. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Letter of Intent is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Transaction, the entire principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into share at CAD $0.40 per share.

(e) On November 26, 2018, the Company closed a first tranche of its non-brokered subscription receipts ("Subscription Receipts") private placement offering by issuing 8,110,000 subscription receipts for gross proceeds of CAD $4,055,000. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures (the "Debentures") in the principal amounts of CAD $1,386,708. In addition, the Company also issued 2,000,000 shares at an issue price of CAD $0.50 to settle amounts owing to an arm's length third party equal to CAD $1,000,000.

14. SUBSEQUENT EVENTS (continued)

Each Subscription Receipt was sold at an issue price of $0.50. Subject to the satisfaction of the Escrow Release Conditions (as defined below), each Subscription Receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one common share of Blacklist Finco (a wholly-owned subsidiary of Blacklist) (each a "Blacklist Finco Share"), provided that upon completion of the Transaction, which is expected to occur immediately following the issuance of such Blacklist Finco Share, each such Blacklist Finco Share will then be exchanged in accordance with the terms of the Transaction at an exchange ratio of one Blacklist Finco Share for one post-consolidated common share of the Zara ("Zara Share").

The gross proceeds from the issuance of Subscription Receipts have been deposited with Odyssey Trust Company (the "Subscription Receipt Agent"), as the subscription receipt agent, in escrow (the "Escrowed Proceeds") pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement"). The Escrowed Proceeds will be released by the Subscription Receipt Agent to Blacklist Finco upon receipt of a notice (the "Release Notice") to the Subscription Receipt Agent from Blacklist Finco on or prior to 5:00 pm (Toronto time) on March 26, 2019 (as the same may be extended in accordance with the terms of the Subscription Receipt Agreement) (the "Termination Time") indicating (a) the completion or satisfaction, as the case may be, of all conditions precedent to the Proposed Transaction shall have occurred, been satisfied or been waived, other than the issuance of the consideration contemplated by the Proposed Transaction or the filing of the articles of amalgamation or other applicable documentation as may be required pursuant to corporate law; and (b) the receipt of all required shareholder, third party and regulatory approvals in connection with the Proposed Transaction, including the conditional approval of the listing of the Zara Shares on the Canadian Securities Exchange (the "CSE") ((a) and (b) together, the "Escrow Release Conditions"). Upon and subject to the receipt by the Subscription Receipt Agent of the Release Notice the Escrowed Proceeds shall be released to Blacklist Finco and the holders of Subscription Receipts will be issued Blacklist Finco Shares, which are to be then exchanged for Zara Shares upon completion of a three-cornered amalgamation between Blacklist Finco, a wholly owned subsidiary of Zara and Zara as part of the Proposed Transaction.

If the Escrow Release Conditions have not been satisfied, or Blacklist Finco advises the Subscription Receipt Agent, or publicly announces, that it does not intend to satisfy the Escrow Release Conditions, prior to the Termination Time, holders of Subscription Receipts will be refunded the gross proceeds paid for the Subscription Receipts, plus any accrued interest.

The Debentures bear interest at a rate of 0% per annum payable, maturing two years from the date of issuance of the Debenture, provided that if the Proposed Transaction is not completed then the Debenture will no longer be convertible, will bear interest at a rate of 9.0%, accruing three months after the date of the termination, and mature one year from the date of issuance. In accordance with terms of the Debenture, the Debenture is automatically convertible into previously unissued Blacklist Shares at a conversion price of CDN$0.50 per share upon satisfaction or waiver of the conditions to closing of the Proposed Transaction, all upon and subject to the terms and conditions set forth in the Debenture. Each Blacklist Share will then be exchanged for one Zara Share pursuant to the terms of the Proposed Transaction. The Debentures are secured by a general security agreement of Blacklist.

14. SUBSEQUENT EVENTS (continued)

(f) On December 10, 2018, the Company closed a second tranche of its non-brokered subscription receipts private placement offering by issuing 6,170,146 subscription receipts for gross proceeds of CAD $3,085,073. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures in the principal amounts of CAD $332,700. In addition, the Company also issued 459,390 shares at an issue price of CAD $0.50 to settle debts owing to certain officers and directors of the Company totaling CAD $229,695. The terms of the subscription receipts offering and convertible debentures are the same as note 13 (e).

Blacklist Holdings Inc.

Condensed Interim Financial Statements

Three and nine months ended September 30, 2018

Expressed in United States Dollars

Blacklist Holdings Inc.
Condensed Interim Statements of Financial Position
Expressed in US dollars

	Notes	September 30, 2018	December 31, 2017
ASSETS		**(Unaudited)**	
Current assets			
Cash		$ 16,465	$ 13,618
Receivables	6	784,475	600,810
Prepaid		232,102	-
		1,033,042	614,428
Non-current assets			
Property and equipment	3	412,550	404,004
TOTAL ASSETS		$ 1,445,592	$ 1,018,432
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	4	$ 926,497	$ 561,122
Loans payable	5	758,850	776,258
Current portion of vehicle loans	7	24,474	27,030
		1,709,821	1,364,410
Non-current liabilities			
Vehicle loans	7	95,216	63,223
TOTAL LIABILITIES		**1,805,037**	**1,427,633**
SHAREHOLDERS' EQUITY			
Share capital	8	146,058	130,976
Reserves – convertible debentures	8	1,261,875	-
Deficit		(1,767,378)	(540,177)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		**(359,445)**	**(409,201)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,445,592**	**$ 1,018,432**

Commitments (Note 8)
Subsequent events (Notes 1 and 10)

Approved and authorized for issue by the Board of Directors on December 20, 2018.

"John Gorst"	"Austin Gorst"
Director	Director

Blacklist Holdings Inc.
Condensed Interim Statements of Comprehensive Loss
Expressed in US dollars

	Notes	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Revenue					
Product sales	6	$ 1,103,415	$ 375,685	$ 2,301,135	$ 1,012,714
Equipment rental income	6	87,996	87,996	263,987	257,418
Royalty income	6	177,548	129,588	501,633	364,905
		1,368,959	**593,296**	**3,066,755**	**1,635,037**
Cost of goods sold		529,639	203,009	1,410,316	638,317
		839,320	390,259	1,656,439	996,719
Operating expenses					
Business development		243,199	24,307	315,688	144,462
Depreciation	3	22,814	7,059	69,693	21,177
Interest and finance charges	5, 7	37,826	8,379	82,854	35,857
Office and administration		117,532	66,406	280,440	146,891
Professional fees		53,553	5,835	78,557	27,469
Rent expense	6	5,008	22,831	37,508	86,165
Research and development		1,668	30,910	7,157	33,864
Salaries and wages		277,514	163,374	614,786	329,760
Share based payments	6, 8	2,053	-	15,075	-
Travel		54,310	22,628	99,281	55,098
Utilities		9,140	11,111	26,603	25,931
		(774,617)	(362,841)	(1,624,642)	(906,675)
Other items					
Gain on disposal of vehicle	3	5,612	-	5,612	-
Impairment of related party receivables	6	(1,135,445)	(81,662)	(1,261,610)	(133,087)
Loss and Comprehensive loss		**$ (1,065,130)**	**$ (54,244)**	**$ (1,227,201)**	**$ (43,043)**
Loss per share – basic and diluted		**$ (0.13)**	**$ (0.01)**	**$ (0.15)**	**$ (0.01)**
Weighted average number of shares outstanding – basic and diluted		**8,009,816**	**7,497,000**	**8,008,658**	**7,497,000**

The accompanying notes are an integral part of these condensed interim financial statements.

Blacklist Holdings Inc.
Condensed Interim Statement of Changes in Shareholders' Equity
Expressed in US dollars

	Share capital				
	Number of shares	**Amount**	**Reserves – convertible debentures**	**Deficit**	**Total**
Balance at December 31, 2016	7,497,000	$ 124,920	$ -	$ (211,863)	$ (86,943)
Net loss for the period	-	-	-	(43,043)	(43,043)
Balance at September 30, 2017	7,497,000	$ 124,920	$ -	$ (254,906)	$ (129,986)
Balance at December 31, 2017	**7,644,000**	**$ 130,976**	**$ -**	**$ (540,177)**	**$ (409,201)**
Shares issued for services rendered	365,999	15,082	-	-	15,082
Issuance of convertible debentures	-	-	1,261,875	-	1,261,875
Net loss for the period	-	-	-	(1,227,201)	(1,227,201)
Balance at September 30, 2018	8,009,999	$ 146,058	$ 1,261,875	$ (1,767,378)	$ (359,445)

The accompanying notes are an integral part of these condensed interim financial statements.

Blacklist Holdings Inc.
Condensed Interim Statements of Cash Flows
Expressed in US dollars

	Nine months ended September 30,	
	2018	**2017**
Operating activities		
Loss for the period	$ (1,227,201)	$ (43,043)
Adjustments for:		
Depreciation	69,693	21,177
Interest expense	66,188	35,857
Gain on disposal of vehicle	(5,612)	-
Impairment of related party receivable	1,261,610	133,087
Share-based payments	15,075	-
Changes in non-cash working capital items:		
Receivable	(1,445,268)	(316,779)
Accounts payables and accrued liabilities	298,407	348,262
Inventory	-	35,052
Prepaid	(232,102)	-
Net cash flows provided from (used by) operating activities	(1,199,210)	213,613
Investing activities		
Purchase of property, plant and equipment	(7,636)	(326,473)
Net cash flows used in investing activities	(7,636)	(326,473)
Financing activities		
Proceeds from loans payable	101,319	207,792
Repayment of loans payable	(133,229)	(112,416)
Repayment of vehicle loans	(20,272)	(14,575)
Convertible debentures	1,261,875	-
Net cash flows used in financing activities	1,209,693	80,801
Increase (decrease) in cash	2,847	(32,059)
Cash, beginning of the period	13,618	26,542
Cash (bank indebtedness), end of the period	**$ 16,465**	**$ (5,517)**
Supplemental cash flow information:		
Interest paid in cash during the period	$ 36,174	$ -
Reclassification of accounts payable to loans payable	26,514	50,943
Proceeds for loans payable through property, plant and equipment	-	9,297

1. NATURE AND CONTINUANCE OF OPERATIONS

Blacklist Holdings Inc. (the "Company") was incorporated on February 26, 2014, under the General Corporation Law of the State of Washington. The Company's core business activities are specializing in sale of cannabis related hard goods (such as cartridges, applicators, pens, jars, etc.), licensing its intellectual property ("Licensed IP") and leasing its equipment to processors.

The Company's head office is located at 2915 S. M St., Tacoma, Washington, USA.

The Company executed a letter of intent with Skanderbeg Capital Advisors Inc. ("Skanderbeg"), whereby it would acquire 100% of the issued and outstanding securities of the Company, in exchange for cash and securities of Skanderbeg. In consideration of the transaction, Skanderbeg shall or will cause a Canadian listed reporting issuer ("Pubco") to issue 51,000,000 common shares of the Pubco to shareholders of the Company. Subject to the closing, the Company will issue financings in the amount no less than $3,250,000 as convertible debentures. On June 18, 2018, Skanderbeg executed an assignment and novation agreement with Zara Resource Inc. ("Zara"), a public company listed on the Canadian Stock Exchange ("CSE"), pursuant to which Skanderbeg assigned to Zara the rights and obligations of the letter of intent between Skanderbeg and the Company.

On June 18, 2018, the Company and Zara have entered into a Letter of Intent ("LOI"), pursuant to which Zara will acquire all of the issued and outstanding common shares of Blacklist in consideration for Zara common shares on a one-for-one basis (the "Transaction"). As a result of the acquisition of Blacklist, Zara will become the sole registered owner of all the outstanding Blacklist shares.

These condensed interim financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has incurred losses and it will require further financing to operate and further develop its business. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting.

These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by IASB. There have been no significant changes in judgement or estimates from those disclosed in the financial statements for the year ended December 31, 2017.

These condensed interim financial statements were authorized for issue by the Board of Directors on December 21, 2018.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

Standards and interpretations not year adopted

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Expressed in US dollars

3. PROPERTY AND EQUIPMENT

	Motor Vehicles	Computer equipment	Furniture and fixtures	Leasehold improvements	Lab equipment	Total
Cost:						
At December 31, 2016	$ 78,537	$ 21,111	$ 21,559	$ 96,002	$ 243,510	$ 461,063
Additions	58,444	5,445	5,202	13,579	29,947	112,617
At December 31, 2017	136,981	26,556	26,761	109,581	273,457	573,336
Additions	64,991	5,084	837	17,974	8,649	97,535
Disposal	(19,296)	-	-	-	-	(19,296)
At September 30, 2018	$ 182,676	$ 31,640	$ 27,598	$ 127,555	$ 282,106	$ 651,575
Amortization:						
At December 31, 2016	$ 11,350	$ 2,598	$ 2,081	$ 11,717	$ 31,771	$ 59,517
Charge for the period	22,688	8,027	3,784	36,394	38,922	109,815
At December 31, 2017	34,038	10,625	5,865	48,111	70,693	169,332
Charge for the period	24,768	8,639	2,867	8,804	29,857	72,930
Eliminated on disposal	(3,237)	-	-	-	-	(3,237)
At September 30, 2018	$ 55,569	$ 17,264	$ 8,732	$ 56,915	$ 100,545	$ 239,025
Net book value:						
At December 31, 2017	$ 102,943	$ 15,931	$ 20,896	$ 61,470	$ 202,764	$ 404,004
At September 30, 2018	$ 127,107	$ 14,376	$ 18,866	$ 70,640	$ 181,561	$ 412,550

4. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Trade payables	$ 856,542	$ 498,758
Amounts due to related parties (Note 6)	66,500	54,500
Amounts due for vehicle loans (Note 7)	3,455	7,864
	$ 926,497	$ 561,122

5. LOANS PAYABLE

On December 31 2016, the Company entered into a promissory note agreement with a director of the Company for the amount of $357,483 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, the Company entered into a revised promissory note agreement with the director for the amount of $353,219 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2018. As at September 30, 2018, the balance outstanding including accrued interest is $392,508 (December 31, 2017: $409,738).

Expressed in US dollars

5. LOANS PAYABLE (Continued)

During the year ended December 31, 2015, the Company issued a promissory note to a company related to a director of the Company for the amount of $9,274. The promissory note is interest bearing at 10.5% per annum, unsecured and due on demand. As at September 30, 2018, the balance outstanding including accrued interest is $11,324 (December 31, 2017: $11,670).

On December 31 2016, the Company entered into a promissory note agreement with a director of the Company for the amount of $216,002 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, the Company entered into a revised promissory note agreement with the director for the amount of $298,712 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2018. As at September 30, 2018, the balance outstanding including accrued interest is $337,720 (December 31, 2017: $317,108).

During the year ended December 31, 2015, the Company issued a promissory note to a former director of the Company for the amount of $16,337. The promissory note is non-interest bearing, unsecured and due on demand. As at September 30, 2018, the balance outstanding including accrued interest is $9,809 (December 31, 2017: $9,809).

On October 31, 2017, the Company entered into a business loan and security agreement for the amount of $30,000. The note is interest bearing at 11.48% per annum, secured by all assets of the Company and due on October 31, 2018. As at September 30, 2018, the balance outstanding including accrued interest is $7,488 (December 31, 2017: $27,933).

A continuity of the loans payable is as follows:

	September 30, 2018	December 31, 2017
Balance, at the beginning of the year	$ 776,258	$ 637,474
Loans issued during the year	123,958	212,632
Interest expense	60,347	80,005
Repayments of loans payable	(201,713)	(153,853)
	$ 758,850	$ 776,258

Expressed in US dollars

6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the six month period ended September 30, 2018 and for the year ended December 31, 2017 was as follows:

	September 30, 2018	December 31, 2017
Salaries and wages – CEO of the Company	$ 36,000	$ 25,831
Salaries and wages – directors of the Company	63,547	72,038
Salaries and wages – former director of the Company	-	28,855
Share based payments	13,465	3,028
	$ 113,012	$ 129,752

Accounts payable and accrued liabilities

As at September 30, 2018, the following is included in accounts payable in related to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

i. $21,500 (December 31, 2017: $21,500) owing to a director of the company for services rendered.

ii. $45,000 (December 31, 2017: $33,000) owing to a company related to a director of the Company for rent payments.

Loans payable

As at September 30, 2018, included in loans payable is $741,552 (December 31, 2017 - $748,325) owing to related parties (Note 5). In relation to the loans payable, during the period ended September 30, 2018, the Company recorded interest expense of $58,232 from related parties.

Accounts receivables

As at September 30, 2018, the following is included in accounts receivable in related to transactions with related parties:

i. $996,026 (December 31, 2017: $600,810) owing to a company related to a company jointly owned by the CEO and former CFO for all of the revenue incurred.

Transactions with related parties:

During the period ended September 30, 2018, the Company had product sales to a company jointly owned by the CEO and former CFO of $2,301,135 (September 30, 2017: $1,012,714).

On October 1, 2016, the Company entered into a commercial lease agreement with a company owned by a director of the Company for its head office. Under the agreement the Company is required to make lease payments for a term of 3 years (Note 7). During the period ended September 30, 2018, the Company recorded rent expense of $49,500 (September 30, 2017: $38,250) to the related party.

During the year ended December 31, 2015, the Company entered into an Asset Lease Agreement with a company jointly owned by the CEO and former CFO. Under the agreement, the Company leased its equipment for monthly fees of $10,000. Shortly after the execution of the agreement, both parties mutually filed amendments for fees payable when new equipment was added to the original leased equipment. During the period ended September 30, 2018, the Company had recognized equipment rental income of $263,987 (September 30, 2017: $257,418).

Expressed in US dollars

6. RELATED PARTY TRANSACTIONS (Continued)

On January 1, 2016, the Company entered into Licensing Agreement with a company jointly owned by the CEO and former CFO (the "Licensee"). Under the agreement, the Company grants the Licensee a non-exclusive, non-transferrable, non-assignable royalty bearing license to reproduce, distribute, publicly display, and publicly perform the Licensed IP. As consideration of the license granted, the Licensee shall pay the Company royalty fees of 5% of its gross revenue for a period of three years. On January 1, 2017, the consideration was increased to be 10% of gross revenue. During the period ended September 30, 2018, the Company recognized royalty income of $501,633 (September 30, 2017: $364,905).

During the period ended September 30, 2018, the Company incurred $380,632 as expense paid on behalf of two companies controlled by the Company's CEO (December 31, 2017: $191,120) in connection with the start-up of the businesses. The ability of these companies to repay the amounts owing is uncertain and therefore the amounts receivable have been impaired in full.

Equity

During the period ended September 30, 2018, the Company issued 326,785 common shares to directors of the Company for services rendered for a fair value of $13,465, recorded as share based payments.

7. COMMITMENTS

Vehicle loans

The Company obtained financing for motor vehicles acquired. The loans are secured by the vehicle financed. The loans have terms ranging from 60 – 72 months and bear interest at 5.60% - 12.35%.

A continuity of the vehicle loans is as follows:

	September 30, 2018	December 31, 2017
Balance, at the beginning of the year	$ 90,253	$ 57,310
Loans issued during the year	64,991	48,444
Interest expense	5,841	7,993
Repayments of loans payable	(20,272)	(15,630)
Amounts included in accounts payable (Note 4)	281	7,864
	119,690	90,253
Current	24,474	27,030
Long-term	$ 95,216	$ 63,223

A schedule for the Company's future minimum principal payments over the term of the leases is as follows:

Year	Principal payments
2018	$ 7,979
2019	25,496
2020	28,394
2021	22,948
2022	23,652
2023	11,221
Total	$ 119,690

Expressed in US dollars

7. COMMITMENTS (Continued)

Operating lease

The Company has obligations under operating lease for its head office, with a term of three years, expiring on August 31, 2019.

Year	Lease payments
2018	$ 33,000
2019	54,000
Total	$ 87,000

8. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of the following:

127,500,000 common shares with $0.0001 par value – voting, non-redeemable and noncumulative;

2,000,000 Preferred Stock with $0.0001 par value – non-voting and noncumulative;

2,000,000 Class A Convertible Preferred Stock with $0.0001 par value – voting, with stated value of $1.00, cumulative dividends at the rate per share of 7.5% per annum, and convertible at the option of the holder, at any time, into common shares at a conversion price of $1.00.

Common shares

During the six months ended September 30, 2018, the Company issued 365,999 common shares for services rendered for a fair value of $13,022, recorded as share based payments, of which 276,785 common shares were issued to directors of the Company.

Convertible debentures

During the period ended September 30, 2018 the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of USD $1,261,875. The Convertible Debenture bears interest at 0% per annum, provided, however that if the Letter of Intent is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the Letter of Intent. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Letter of Intent is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Share Exchange, CAD $735,000 and $930,000 of the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into shares at CAD $0.035 per share and $0.25 per share, respectively.

9. SUBSEQUENT EVENTS

(a) Effective October 2018, the Company executed a forward stock-split of its issued and outstanding common shares on a 1 to 6.375 basis All references to common shares in the subsequent events notes have been adjusted to reflect this change.

(b) Subsequent to period ended September 30, 2018, the Company issued 747,497 common shares for services, of which 719,390 were issued to related parties.

(c) Subsequent to September 30, 2018, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of CAD $1,520,000. The Convertible Debenture bears interest at 0% per annum, provided, however that if the Letter of Intent is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the Letter of Intent. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Letter of Intent is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Transaction, CAD $270,000 and CAD $1,250,000 of the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into shares at CAD $0.25 and $0.40 per share, respectively.

(d) On November 26, 2018, the Company closed a first tranche of its non-brokered subscription receipts ("Subscription Receipts") private placement offering by issuing 8,110,000 subscription receipts for gross proceeds of CAD $4,055,000. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures (the "Debentures") in the principal amounts of CAD $1,386,708. In addition, the Company also issued 2,000,000 shares at an issue price of CAD $0.50 to settle amounts owing to an arm's length third party equal to CAD $1,000,000.

Each Subscription Receipt was sold at an issue price of $0.50. Subject to the satisfaction of the Escrow Release Conditions (as defined below), each Subscription Receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one common share of Blacklist Finco (a wholly-owned subsidiary of Blacklist) (each a "Blacklist Finco Share"), provided that upon completion of the Transaction, which is expected to occur immediately following the issuance of such Blacklist Finco Share, each such Blacklist Finco Share will then be exchanged in accordance with the terms of the Transaction at an exchange ratio of one Blacklist Finco Share for one post-consolidated common share of the Zara ("Zara Share").

The gross proceeds from the issuance of Subscription Receipts have been deposited with Odyssey Trust Company (the "Subscription Receipt Agent"), as the subscription receipt agent, in escrow (the "Escrowed Proceeds") pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement"). The Escrowed Proceeds will be released by the Subscription Receipt Agent to Blacklist Finco upon receipt of a notice (the "Release Notice") to the Subscription Receipt Agent from Blacklist Finco on or prior to 5:00 pm (Toronto time) on March 26, 2019 (as the same may be extended in accordance with the terms of the Subscription Receipt Agreement) (the "Termination Time") indicating (a) the completion or satisfaction, as the case may be, of all conditions precedent to the Proposed Transaction shall have occurred, been satisfied or been waived, other than the issuance of the consideration contemplated by the Proposed Transaction or the filing of the articles of amalgamation or other applicable documentation as may be

10. SUBSEQUENT EVENTS (Continued)

required pursuant to corporate law; and (b) the receipt of all required shareholder, third party and regulatory approvals in connection with the Proposed Transaction, including the conditional approval of the listing of the Zara Shares on the Canadian Securities Exchange (the "CSE") ((a) and (b) together, the "Escrow Release Conditions"). Upon and subject to the receipt by the Subscription Receipt Agent of the Release Notice the Escrowed Proceeds shall be released to Blacklist Finco and the holders of Subscription Receipts will be issued Blacklist Finco Shares, which are to be then exchanged for Zara Shares upon completion of a three-cornered amalgamation between Blacklist Finco, a wholly owned subsidiary of Zara and Zara as part of the Proposed Transaction.

If the Escrow Release Conditions have not been satisfied, or Blacklist Finco advises the Subscription Receipt Agent, or publicly announces, that it does not intend to satisfy the Escrow Release Conditions, prior to the Termination Time, holders of Subscription Receipts will be refunded the gross proceeds paid for the Subscription Receipts, plus any accrued interest.

The Debentures bear interest at a rate of 0% per annum payable, maturing two years from the date of issuance of the Debenture, provided that if the Proposed Transaction is not completed then the Debenture will no longer be convertible, will bear interest at a rate of 9.0%, accruing three months after the date of the termination, and mature one year from the date of issuance. In accordance with terms of the Debenture, the Debenture is automatically convertible into previously unissued Blacklist Shares at a conversion price of CDN$0.50 per share upon satisfaction or waiver of the conditions to closing of the Proposed Transaction, all upon and subject to the terms and conditions set forth in the Debenture. Each Blacklist Share will then be exchanged for one Zara Share pursuant to the terms of the Proposed Transaction. The Debentures are secured by a general security agreement of Blacklist.

(e) On December 10, 2018, the Company closed a second tranche of its non-brokered subscription receipts private placement offering by issuing 6,170,146 subscription receipts for gross proceeds of CAD $3,085,073. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures in the principal amounts of CAD $332,700. In addition, the Company also issued 459,390 shares at an issue price of CAD $0.50 to settle debts owing to certain officers and directors of the Company totaling CAD $229,695. The terms of the subscription receipts offering and convertible debentures are the same as note 9 (d).

SCHEDULE B TO APPENDIX C

BLACKLIST MD&AS

[See Attached]

Management Discussion and Analysis
For the years ended December 31, 2017 and 2016, and
For the nine months ended September 30, 2018
(Expressed in US Dollars)

This Management Discussion & Analysis ("MD&A") was prepared by management as at December 21, 2018, and was reviewed and approved by the Audit Committee appointed by the Board of Directors of the Company. The following discussion of performance, financial condition and future prospects should be read in conjunction with the interim financial statements for the nine months ended Septemberl 30, 2018 and 2017 and the annual audited financial statements for the years ended December 31, 2017 and 2016, and notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information provided herein supplements but does not form part of the interim financial statements. This discussion covers the nine months ended September 30, 2018, and the subsequent period up to the date of issue of this MD&A. Unless otherwise noted, all dollar amounts are stated in United States dollars.

Forward-Looking Information

This MD&A contains forward-looking statements or forward-looking information within the meaning of the United States Private Securities Litigation Reform Act of 1995, and applicable Canadian securities laws. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimated," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Forward-looking statements are statements concerning the Company's current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, unforeseen government actions or other events; (iv) the Company experiences the loss of key personnel; (v) the Company's operations are adversely affected by other political or military, or terrorist activities; (vi) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable

terms and the ability of third-party service providers to deliver services in a timely manner. Other risks are more fully described under the heading "RISKS AND UNCERTAINTIES" below. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. For the reasons set forth above, investors should not place undue reliance on the Company's forward-looking statements.

Description of Business

Blacklist Holdings Inc. (the "Company") was incorporated on February 26, 2014, under the General Company Law of the State of Washington. The Company's core business activities are specializing in sale of cannabis related hard goods (such as cartridges, applicators, pens, jars, etc.), licensing its intellectual property ("Licensed IP") and leasing its equipment to processors.

The Company executed a letter of intent with Skanderbeg Capital Advisors Inc. ("Skanderbeg"), whereby it would acquire 100% of the issued and outstanding securities of the Company, in exchange for cash and securities of Skanderbeg. In consideration of the transaction, Skanderbeg shall or will cause a Canadian listed reporting issuer ("Pubco") to issue 51,000,000 common shares of the Pubco to shareholders of the Company. Subject to the closing, the Company will issue financings in the amount no less than $3,250,000 as convertible debentures. On June 18, 2018, Skanderbeg executed an assignment and novation agreement with Zara Resource Inc. ("Zara"), a public company listed on the Canadian Stock Exchange ("CSE"), pursuant to which Skanderbeg assigned to Zara the rights and obligations of the letter of intent between Skanderbeg and the Company.

On June 18, 2018, the Company and Zara have entered into a Letter of Intent ("LOI"), pursuant to which Zara will acquire all of the issued and outstanding common shares of Blacklist in consideration for Zara common shares on a one-for-one basis (the "Transaction"). As a result of the acquisition of Blacklist, Zara will become the sole registered owner of all the outstanding Blacklist shares.

Consolidated Financial Information

Annual Information

The following table sets forth selected financial information for the Company for the years ended December 31, 2017 and 2016. Such information is derived from the financial statements of the Company and should be read in conjunction with such financial statements.

	Year ended 31-Dec-17	Year ended 31-Dec-16
Revenues	2,235,828	1,066,222
Cost of Goods Sold	918,361	484,517
Gross Income	1,317,467	581,705
Total Operating Expenses	1,421,438	761,552
Loss from Operations	(103,971)	(179,847)
Other Items	(224,443)	(30,437)
Net Loss	(328,414)	(210,284)

	As at 31-Dec-17	As At 31-Dec-16
Current Assets	614,428	419,979
Property Plant& Equipment	404,004	401,546
Total Assets	1,018,432	821,525
Current Liabilities	1,364,410	866,658
Long Term Liabilities	63,223	41,810
Stockholders Equity	(409,201)	(86,943)
Total Liabilities and Equity	1,018,432	821,525

Dividends

The Company has not declared distributions on their respective issued and outstanding shares in the past.

Any future determination to pay distributions will be at the discretion of the respective Boards of Directors of the Company and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that each such Board of Directors deems relevant.

Foreign GAAP

The financial statements included in this Listing Statement have been, and the future financial statements of the Company shall be, prepared in accordance with International Financial Reporting Standards.

Revenue

Revenue for the year ending December 31, 2017, increased by $1,169,606 (109%) from the prior year mainly due to an increase in revenue from our increased sales of packaging and ancillary productsand also an increase in licensing revenue. This was a result of growth in the underlying sales of our customer.

Gross Profit

For the year ending December 31, 2017 gross profit increased $735,762 (129%) year over year as a result of the improved overall sales volume and an increase in Gross Margin. Gross margins increased to 58.9% from 54.6% year over year and were primarily attributable to an increase in licensing revenue and higher margins on ancillary products.

Total Expenses

Overall expenses increased $659,886 for the year ending December 31, 2017, and was primarily attributable to increased personnel associated with the companys' expected growth and public offering preparation. Marketing expenses also increased in 2017 from the prior year due to increased marketing expenditures connected with new product introductions and expansion initiatives into Oregon and California.

Current Assets

Current assets for the at December 31, 2017 were up $194,449 year over year mainly due to increased accounts receivable as a result of increased sales.

Current Liabilities

Current liabilities were up $497,752 year over year due to a combination of increased accounts payable and accrued payroll costs related to sales growth.

Quarterly Information

The following tables set forth selected financial information for the Company for the nine months ended September 30, 2017 and 2016. Such information is derived from the financial statements of the Company and should be read in conjunction with such financial statements.

	Nine Months 30-Sep-18	Nine Months 30-Sep-17
Revenues	3,066,755	1,635,037
Cost of Goods Sold	1,410,316	638,317
Gross Income	1,656,439	996,719
Total Operating Expenses	1,624,642	906,675
Loss from Operations	(1,227,201)	(133,087)
Net Loss	(1,227,201)	(133,087)

	As at 30-Sep-18	As at 31-Dec-17
Current Assets	1,033,042	614,428
Property Plant& Equipment	412,550	401,546
Total Assets	1,445,592	1,018,432
Current Liabilities	1,709,821	1,364,410
Long Term Liabilities	95,216	63,223
Stockholders Equity	(359,445)	(409,201)
Total Liabilities and Equity	1,445,592	821,525

Revenue

Revenue for the nine months ending September 30, 2018, increased by $1,431,718 (87.6%) from the prior year. mainly due to an increase in revenue from our increased sales of packaging and ancillary productsand also an increase in licensing revenue. This was a result of growth in the underlying sales of our customer.

Gross Profit

For the nine months ending September 30, 2018 gross profit increased $669,720(67.2%) year over year as a result of the improved overall sales volume. Gross margins decreased to 54% from61% year over year year over year and were primarily attributable to an increase in product revenue and lower margins on products than licensing or rentals.

Total Expenses

Overall expenses increased $1,843,878 for the nine months ending September 30, 2018 year over year and was primarily attributable to increased personnel associated with the companys' expected growth and public offering preparation. Marketing expenses also increased in 2018 from the prior year due to increased marketing expenditures connected with new product introductions and expansion initiatives into Oregon and California.

Current Assets

Current assets at September 30, 2018, were up $418,614 year over year mainly due to increased cash on hand, accounts receivable and prepaid expenses resulting from the sale of increased sales.

Current Liabilities

Current liabilities were up $345,411 year over year due to a combination of increased accounts payable, accrued payroll costs and notes payable related to sales growth.

Discussion of Operations

Blacklist plans plans to expand the licensing of IONIC™ brand and line of products into U.S. states where recreational marijuana is legal by contracting with local state license holders in those states to produce and distribute IONIC™ brand products. Blacklist will be paid an amount equal to sales made by its Customers to third parties less fees charged by them for distribution and production, negotiated on a state-by-state basis, for each unit or a derivative thereof sold. Blacklist may also enter into financial transactions to support licensees or affiliated manufacturing companies in order to promote, support, and develop sales and distribution of IONIC™ products including through investment in joint ventures in various states. Blacklist currently provides and will contimue to provide consulting services to manufacturers and retailers, in compliance with applicable state law; serve as a real estate, fixtures and equipment holding and management company that will acquire, lease, develop and/or manage real property, industrial fixtures and equipment and lease and/or sublease such infrastructure to manufacturers and retailers; invest in such companies, in compliance with applicable state law; and enter into financial transactions to support such, including, without limitation, loan transactions, in order to promote, support, and develop sales and distribution of products utilizing its portfolio of intellectual property.

Significant Events or Milestones

Over the next twelve months, the Company has allocated $695,000 to secure license agreements and launch operations in Nevada and Arizona.

Liquidity & Capital Resources

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements. The Company has historically financed its operations primarily through the sale of share capital by way of private placements.

To maintain liquidity, the Company issued the following securities for cash proceeds:

- Subsequent to December 31, 2017, the Company issued convertible secured debentures for principal amounts of CAD $735,000, CAD $1,200,000, CAD $1,250,000, and CAD $1,719,408, totalling CAD $4,904,408. Convertible debentures are convertible into commons shares of the Company at CAD $0.035, CAD $0.25, CAD $0.40 and CAD $0.50, respectively.

- On November 25 and December 5, 2018, the Company issued an aggregate of 14,280,146 subscripton receipts for total gross proceeds of CAD $7,140,073. Each subscription receipt was sold at an issue price of CAD $0.50. subject to satisfication of certain escrow condtions and completion of the Transaction, each subscription receipt will be exchanged for one post-consolidated common share of Zara.

The success of the Companyin the future will depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the issuance of equity and debt securities to meet its cash requirements. Funding for potential future development obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through debt and equity financing, or other means. There can be no assurances that the Company will be successful in obtaining any such financing; failure to obtain such additional financing could result in the delay or indefinite postponement of further development of the Company's operatins.

Uses of Proceeds

Proceeds from the financings will be used to repay remaining indebtedness including outstanding promissory notes, fund continued revenue growth in Washington, Oregon and California, provide capital for expansion into new U.S. states such as Nevada and Arizona, for general working capital, for product development, and to further develop the management team and company infrastructure to support other expansion efforts. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may require additional funds beyond the funds raised in order to fulfill all of its expenditure requirements to meet its new business objectives and expects to either issue additional securities or incur debt. There can be no assurance that additional funding required by the Company will be available if required. However, it is anticipated that available funds subsequent to closing this Offering will be sufficient to satisfy the Company's objectives over the next 12 months.

Financial Risk Management

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The company's exposure to non-payment or non-performance by our counterparties is a credit risk. The maximum credit exposure as at September 30, 2018 is the carrying amount of cash, accounts receivable and other receivables and promissory notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of September 30, 2018. The Company mitigates its credit risk on its other receivables and promissory notes receivable through its review of the counterparties and business review.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's cash holdings. As at September 30, 2018, the Company's financial liabilities consist of accounts payable, accrued liabilities, and notes payable which have contractual maturity dates within one-year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. The Company's ability to meet its financialobligations is based on its ability to complete equity cash raises or to borrow money.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a many of states have legalized recreational cnnabis, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the

production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of members' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2017.

Outstanding Share Data

As of the date of this MD&A, the Company has 54,251,241 common shares issued and outstanding. No options and warrants are issued.

The authorized share capital of the Company consists of the following:

- 127,500,000 common shares with $0.0001 par value – voting, non-redeemable and noncumulative;
- 2,000,000 Preferred Stock with $0.0001 par value – non-voting and noncumulative;
- 2,000,000 Class A Convertible Preferred Stock with $0.0001 par value – voting, with stated value of $1.00, cumulative dividends at the rate per share of 7.5% per annum, and convertible at the option of the holder, at any time, into common shares at a conversion price of $1.00.

Subsequent Events

(a) Effective October 2018, the Company executed a forward stock-split of its issued and outstanding common shares on a 1 to 6.375 basis All references to common shares in the subsequent events notes have been adjusted to reflect this change.

(b) Subsequent to period ended September 30, 2018, the Company issued 747,497 common shares for services, of which 719,390 were issued to related parties.

(c) Subsequent to September 30, 2018, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of CAD $1,520,000. The Convertible Debenture bears interest at 0% per annum, provided, however that if the Letter of Intent is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the Letter of Intent. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Letter of Intent is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Transaction, CAD $270,000 and CAD $1,250,000 of the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into shares at CAD $0.25 and $0.40 per share, respectively.

(d) On November 26, 2018, the Company closed a first tranche of its non-brokered subscription receipts ("Subscription Receipts") private placement offering by issuing 8,110,000 subscription receipts for gross proceeds of CAD $4,055,000. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures (the "Debentures") in the principal amounts of CAD $1,386,708. In addition, the Company also issued 2,000,000 shares at an issue price of CAD $0.50 to settle amounts owing to an arm's length third party equal to CAD $1,000,000.

Each Subscription Receipt was sold at an issue price of $0.50. Subject to the satisfaction of the Escrow Release Conditions (as defined below), each Subscription Receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one common share of Blacklist Finco (a wholly-owned subsidiary of Blacklist) (each a "Blacklist Finco Share"), provided that upon completion of the Transaction, which is expected to occur immediately following the issuance of such Blacklist Finco Share, each such Blacklist Finco Share will then be exchanged in accordance with the terms of the Transaction at an exchange ratio of one Blacklist Finco Share for one post-consolidated common share of the Zara ("Zara Share").

The gross proceeds from the issuance of Subscription Receipts have been deposited with Odyssey Trust Company (the "Subscription Receipt Agent"), as the subscription receipt

agent, in escrow (the "Escrowed Proceeds") pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement"). The Escrowed Proceeds will be released by the Subscription Receipt Agent to Blacklist Finco upon receipt of a notice (the "Release Notice") to the Subscription Receipt Agent from Blacklist Finco on or prior to 5:00 pm

(Toronto time) on March 26, 2019 (as the same may be extended in accordance with the terms of the Subscription Receipt Agreement) (the "Termination Time") indicating (a) the completion or satisfaction, as

the case may be, of all conditions precedent to the Proposed Transaction shall have occurred, been satisfied or been waived, other than the issuance of the consideration contemplated by the Proposed Transaction or the filing of the articles of amalgamation or other applicable documentation as may be required pursuant to corporate law; and (b) the receipt of all required shareholder, third party and regulatory approvals in connection with the Proposed Transaction, including the conditional approval of the listing of the Zara Shares on the Canadian Securities Exchange (the "CSE") ((a) and (b) together, the "Escrow Release Conditions"). Upon and subject to the receipt by the Subscription Receipt Agent of the Release Notice the Escrowed Proceeds shall be released to Blacklist Finco and the holders of Subscription Receipts will be issued Blacklist Finco Shares, which are to be then exchanged for Zara Shares upon completion of a three-cornered amalgamation between Blacklist Finco, a wholly owned subsidiary of Zara and Zara as part of the Proposed Transaction.

If the Escrow Release Conditions have not been satisfied, or Blacklist Finco advises the Subscription Receipt Agent, or publicly announces, that it does not intend to satisfy the Escrow Release Conditions, prior to the Termination Time, holders of Subscription Receipts will be refunded the gross proceeds paid for the Subscription Receipts, plus any accrued interest.

The Debentures bear interest at a rate of 0% per annum payable, maturing two years from the date of issuance of the Debenture, provided that if the Proposed Transaction is not completed then the Debenture will no longer be convertible, will bear interest at a rate of 9.0%, accruing three months after the date of the termination, and mature one year from the date of issuance. In accordance with terms of the Debenture, the Debenture is automatically convertible into previously unissued Blacklist Shares at a conversion price of CDN$0.50 per share upon satisfaction or waiver of the conditions to closing of the Proposed Transaction, all upon and subject to the terms and conditions set forth in the Debenture. Each Blacklist Share will then be exchanged for one Zara Share pursuant to the terms of the Proposed Transaction. The Debentures are secured by a general security agreement of Blacklist.

(e) On December 10, 2018, the Company closed a second tranche of its non-brokered subscription receipts private placement offering by issuing 6,170,146 subscription receipts for gross proceeds of CAD $3,085,073. Concurrent with the Subscription Receipts

offering, the Company issued convertible debentures in the principal amounts of CAD $332,700. In addition, the Company also issued 459,390 shares at an issue price of CAD $0.50 to settle debts owing to certain officers and directors of the Company totaling CAD $229,695. The terms of the subscription receipts offering and convertible debentures are the same as note (d).

Critical Accounting Estimates

The preparation of the Compamy's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern and the capitalization of development costs. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

Areas requiring a significant degree of judgement that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Estimated useful lives and depreciation of property, plant and equipment
Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Impairment
The carrying value of long lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the statement of operations. The assessment of fair values, require the use of estimates and assumptions for recoverable production, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long lived assets could impact the impairment analysis.

Allowance for doubtful accounts, and the recoverability of receivables
Significant estimates are involved in the determination of recoverability of receivables and no assurance can be given that actual proceeds will not differ significantly from current estimations. Management has made significant assumptions about the recoverability of receivables. During the year ended December 31, 2017 the Company recorded an impairment expense of $191,120 (December 31, 2016: $30,437) for receivables where collection is doubtful.

Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the annual financial statements.

Income taxes

The assessment of income taxes involved the probability of realizing deferred tax assets, in relation to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessment, management give additional weight to positive and negative evidence that can be objectively verified.

Significant Accounting Policies

The Company's significant accounting policies are summarized in Note 2 to the audited consolidated financial statements for the year ended December 31, 2017 and 2016.

Future Changes in Accounting Policies

The International Accounting Standards Board ("IASB") has issued or amended a number of new standards that were not be effective at December 31, 2017. These standards have not been early adopted in these consolidated financial statements.

IFRS 7, Financial Instruments Disclosures (effective January 1, 2018) requires new disclosures resulting from the amendments to IFRS 9.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities. The Company does not expect the adoption of IFRS 9 to have an impact on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRS Interpretations Committee ("IFRIC") 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Asset from Customers, and SIC 31 Revenue Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the adoption of IFRS 15 to have an impact on its consolidated financial statements.

IFRS 16, Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is does not expect the adoption of IFRS 16 to have an impact on its consolidated financial statements.

On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The Company does not expect the adoption of IFRS 2 to have an impact on its consolidated financial statements.

Management does not expect any other IFRS or IFRIC pronouncements that are not yet effective to have a material impact on the Company.

APPENDIX D

INFORMATION CONCERNING THE RESULTING ISSUER

The following section of this Circular contains forward-looking information. Readers are cautioned that actual results may vary. See *Cautionary Notice Regarding Forward-Looking Statements*.

All capitalized terms used in this Appendix and not defined herein have the meaning ascribed to such terms in the *Glossary of Terms* or elsewhere in this Circular

Cautionary Statements Regarding U.S. Cannabis Operations

The Resulting Issuer is expected to indirectly derive a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Following the completion of the Transaction, the Resulting Issuer will have ancillary involvement (through its subsidiary) in the cannabis industry in the United States where local state laws permit such activities. Currently, Zara is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in Canada or the United States, although the Zara intends, in the future, to obtain a license to directly engage in the cultivation, processing, and/or retail sale of cannabis.

The Resulting Issuer, through a wholly-owned subsidiary, Blacklist (as defined herein), leases and licenses equipment, vehicles, brands and intellectual property, and enters into material supply agreements with licensed cannabis companies. Blacklist's primary business focus involves activities ancillary to the marijuana production and processing industry in the states of Washington, Oregon and California, including as a lessor, service and material provider, and intellectual property licensor with respect to state licensed marijuana producers. See *Appendix C – Blacklist – Narrative Description of the Business* hereof.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970 (the "Controlled Substances Act"). Under the Controlled Substances Act, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys, which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the Department of Justice policy was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Resulting Issuer could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the Controlled Substances Act for aiding and abetting and conspiring to violate the Controlled Substances Act by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Resulting Issuer who are not U.S. citizens face the risk of being barred from entry into the United States for life.

Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential

amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected.

Despite the current state of the federal law and the Controlled Substances Act, well over half of the states of the United States have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have legalized and regulated the sale and use of medical cannabis with strict limits on the levels of THC. However, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local government authorities will not limit the applicability of state laws within their respective jurisdictions.

For the reasons set forth above, the Resulting Issuer's interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of risks associated with the business of the Resulting Issuer. See *Risk Factors* hereof.

OVERVIEW AND DESCRIPTION OF BUSINESS

Upon completion of the Transaction, the Resulting Issuer's business shall continue to be the business of Blacklist. See *Appendix C – Information Concerning Blacklist*.

Business Objectives

The Resulting Issuer expects to accomplish the following business objectives over the 12 month period following the completion of the Transaction:

- obtain licenses to cultivate, process, and/or retail cannabis;
- further expand its investment in the cannabis market internationally; and
- obtain licenses to cultivate and/or process cannabis in other United States markets.

The Resulting Issuer's main sources of revenue will be from:

(a) operating support, consulting, licensing and advisory fees from service contracts with certain cannabis license holders; and

(b) leasing facilities and equipment to licensed cannabis entities.

Significant Events Milestones

While there is no particular significant event or milestone that must occur for the Issuer's business objectives to be accomplished, the Issuer currently aims to achieve the following significant milestones in connection with the development of the Issuer's business:

Milestone	Anticipated Cost	Timeline from date of The CSE Listing
Obtain operating license	Acquisition of cannabis cultivation, processing facility in Washington State.	3 months following the date of the CSE Listing

Milestone	Anticipated Cost	Timeline from date of The CSE Listing
Obtain operating license	Acquisition of cannabis cultivation, processing facility in Nevada State.	4 months following the date of the CSE Listing
Obtain operating license	Acquisition of cannabis cultivation and/or processing license Oregon State	6 months following the date of the CSE Listing

Other than as described in this Circular, there are no other significant events or milestones that must occur for the Resulting Issuer's business objectives to be accomplished. However, there is no guarantee that the Resulting Issuer will meet its business objectives or milestones described above within the specific time periods, within the estimated costs or at all. The Resulting Issuer may, for sound business reasons, reallocate its time or capital resources, or both, differently than as described above.

Total Funds Available

As of December 31, 2018, Zara had negative working capital of approximately $219,514 and Blacklist had positive working capital of $1,761,404. Upon Closing, the Escrowed Proceeds will be released to the Resulting Issuer and the Blacklist Debentures will be converted into Resulting Issuer Shares. The following table represents the available funds of the Resulting Issuer and the principal purpose of those funds over a 12-month period:

Source	Funds Available
Working Capitals of Zara and Blacklist as of December 31, 2018	$1,541,890
Release of Escrowed Proceeds	$7,140,073
Available Funds of the Resulting Issuer (1)	**$8,681,963**
Expenses related to the completion of the Transaction	$250,000
Inventory Acquisitions	$695,000
Business Development and Marketing	$1,355,000
Investor Relations, Conference, Tradeshows and Travel	$400,000
Acquisitions	$2,300,000
Debt reduction	$300,000
Equipment Acquisition	$200,000
General and administrative costs estimated for operating 12 months	$2,000,000
Total Unallocated	**$1,181,963**

There may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Resulting Issuer spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified below, and will depend on a number of factors, including those referred to under *Risk Factors* below. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

Ability to Access Public and Private Capital

The Resulting Issuer has historically, and we believe will continue to have, adequate access to equity from prospectus exempt (private placement) markets in Canada. While the Resulting Issuer is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it plans to (i) continue to access equity financing through private markets, and (ii) access equity financing through

public markets in Canada, if listed on the CSE or another stock exchange. Further, the Resulting Issuer's executive team and board also have extensive relationships with sources of private capital (such as high net worth individuals), that could be investigated at a higher cost of capital. Current proceeds from the Resulting Issuer's financings will be used to finance the continued growth of the Resulting Issuer's business. In addition, from time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed wholly or partially with debt, which may increase the Resulting Issuer's debt levels above industry standards, or through the issuance of shares which will be dilutive to the current shareholders.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Resulting Issuer's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See *Risk Factors* below.

Employees

The Resulting Issuer's staff will consist of approximately 30 people including full and part time employees and consultants.

The Resulting Issuer's business will require specialized skills and knowledge of the cannabis industry. Management of the Resulting Issuer will be composed of certain individuals who have extensive expertise in this industry and are complemented by the board of directors of the Resulting Issuer. The Resulting Issuer's future success will depend, in part, on its ability to continue to attract, retain and motivate highly qualified technical and management personnel, for whom competition is intense.

Competitive Conditions and Position

General

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and longer history of the production and marketing of cannabis than the Resulting Issuer.

Competitors are primarily branded and private label cannabis companies who are operating in multiple states. These competitors offer vape pens and cartridge products that are widely used in states where the consumption of cannabis is legal, however, they do not exploit the technology deployed by the Resulting Issuer. The Resulting Issuer considers itself in direct competition with O.pen, Bhang, and JUJU Joint, all of which have been in business for several years, achieved sizable market share and expanded into multiple states. Each has benefited from first and early-to-market brand recognition. Other potential competition includes W Vape, Dixie Elixir, and other established brands. The Resulting Issuer is confident that its vape products will be highly competitive, if not superior to its competitors. The Resulting Issuer intends to seek a competitive advantage by offering quality products with a focus on oil formulation, product design, branding, and a premier user experience.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer also expects to face additional competition from new entrants. If the number of users of medical and recreational cannabis in Washington, California, Oregon and other states (as applicable) increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

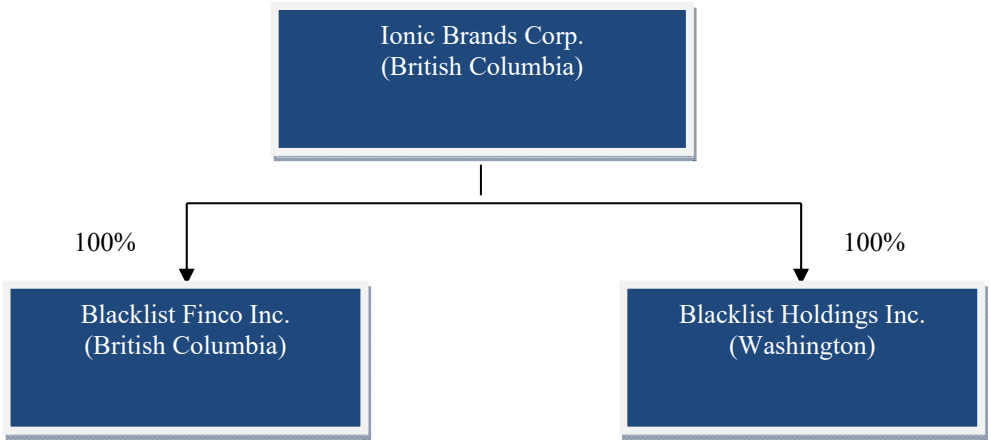
To remain competitive, the Resulting Issuer will require a continued high level of investment in its facilities, licenses, branding, products and technologies, distribution, research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain

its facilities, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Resulting Issuer.

See also *Risk Factors – Competition* below.

ORGANIZATIONAL CHART

The chart below illustrates the corporate structure of the Resulting Issuer immediately following the completion of the Transaction.



PRO FORMA CONSOLIDATED CAPITALIZATION

The following table summarizes the Resulting Issuer's pro forma common shares, on a consolidated basis, after giving effect to the Transaction as described in the pro forma financial statements of the Resulting Issuer, a copy of which is attached at Schedule "A" of Appendix D.

Designation of Security	Amount Authorized	Anticipated Shares Outstanding (as of the effective date of the Transaction)
Common Shares	Unlimited	106,737,203

FULLY DILUTED SHARE CAPITAL

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Transaction:

	Anticipated Shares Outstanding (as of the effective date of the Transaction)
Zara Shares issued and outstanding	332,000[(1)]
Resulting Issuer Shares issued to Blacklist Shareholders and Blacklist Debentureholders pursuant to the Acquisition	86,875,057
Resulting Issuer Shares issued to Blacklist Finco Shareholders pursuant to the Amalgamation	14,280,146
Resulting Issuer Shares issued to Finders	5,250,000
Total Resulting Issuer Shares	**106,737,203**
Reserved for issuance pursuant to Blacklist Warrants, including the Performance Warrants	17,758,340
Reserved for issuance pursuant to the Loan Warrants	1,500,000[(3)]

Total Resulting Issuer Shares Reserved for Issuance	**19,258,340**
Total Number of Fully Diluted Securities	**125,995,543**

Notes:
(1) On a post-Consolidation basis.
(2) Subject to rounding.
(3) Assuming Blacklist completes the Loan.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of Zara following the completion of the Transaction will continue to be an unlimited number of common shares without nominal value, an unlimited number of Series A preferred shares, Series B preferred shares and Series C preferred shares. The issued share capital of Zara will change as a result of the consummation of the Transaction to reflect the issuance of the Zara Shares contemplated in the Transaction.

STOCK EXCHANGE LISTING

Zara Shares are currently traded on the CSE under the symbol "ZRI". Zara has applied to the CSE to list the Zara Shares issuable to Blacklist Shareholders under the Transaction. It is a condition of closing that Zara will have obtained approval from the CSE for the listing of the Zara Shares to be issued pursuant to the Transaction subject only to the customary listing conditions of the CSE and approval from the CSE for the Transaction. The Transaction constitutes a fundamental change and Zara is requalifying following the completion of the Transaction. In connection with the completion of the Transaction, Zara anticipates changing its name from "Zara Resources Inc." to "Ionic Brands Corp." and in connection with such name change the new trading symbol for the Resulting Issuer is expected to be "IONC".

ESCROWED SECURITIES

As required under the policies of the CSE, Principals of the Resulting Issuer will enter into an escrow agreement as if the company was subject to the requirements of National Policy 46-201 – *Escrow for Initial Public Offerings* ("**NP 46-201**"). Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon completion of the Transaction followed by six subsequent releases of 15% every six months thereafter. The form of the escrow agreement must be as provided in NP 46-201.

The table below includes the details of escrowed securities that will be held by Principals of the Resulting Issuer upon the completion of the Transaction:

Name of Securityholder	Designation of Class Held in Escrow	Number of Securities Held in Escrow	Percentage of Class(1)
John Gorst	Common Shares	17,179,641	16.10%
Andrew Schell	Common Shares	17,312,521	16.22%
Bryen Salas	Common Shares	3,732,153	3.50%
Christian Struzan	Common Shares	5,248,176	4.92%
Austin Gorst	Common Shares	2,338,596	2.19%
Total		**45,811,087**	**42.92%**

Note:
(1) The total issued and outstanding Resulting Issuer Shares is expected to be 106,737,203 on an undiluted basis.

PRINCIPAL SHAREHOLDERS

To the knowledge of directors and officers of each of Zara and Blacklist, following the Transaction, the following persons will beneficially and of record directly or indirectly, own or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer:

Name	Number of Issuer Shares Held	Percentage of class[(1)]
John Gorst	17,179,641	16.10%
Andrew Schnell	17,312,521	16.22%

Notes:

(1) The total issued and outstanding Resulting Issuer Shares is expected to be 106,737,203 on an undiluted basis.

To the knowledge of Zara or Blacklist, there is no voting trust or similar agreement, subject to which more than 10 per cent of any class of voting securities of the Resulting Issuer is held, or is to be held.

To the knowledge of Zara or Blacklist, none of the principal shareholders is an Associate or Affiliate of any other principal shareholder.

GOVERNANCE AND MANAGEMENT OF THE RESULTING ISSUER

Board of Directors

Following the completion of the Transaction, the board of directors of the Resulting Issuer will initially be comprised of the following seven persons: John P. Gorst, Andrew W. Schell, Bryen J. Salas, Christian D. Struzan, Austin Gorst, M. Carroll Benton and Brian Lofquist.

The directors of the Resulting Issuer will hold office until the next annual general meeting of Shareholders of the Resulting issuer or until their respective successors have been duly elected or appointed, unless his or her office is earlier vacated in accordance with the articles of the Resulting Issuer or within the provision of the BCBCA.

The following table sets forth certain information regarding the individuals who will serve as directors of the Resulting Issuer, including their place of residence, age, status as independent or non-independent, each director's principal occupation, business or employment for the past five years and the number of Resulting Issuer Shares that will be beneficially owned by each director, directly or indirectly, or over which each director will exercise control or direction, following the completion of the Transaction.

Name, place of the residence and position with the Resulting Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction[(1)(5)]
John Gorst [(3)] Chief Executive Officer and Director Tacoma, WA	Chairman and CEO of Blacklist from September 2017 to present; Vice Chairman and Chief Strategy Officer of Cloud X Partners from December 2015 to October 2016 and Vice Chairman through April	Proposed	17,179,641 (16.10%)

	2017. Chairman and CEO of CloudRunner, Inc. from February 2014 to December 2015; Chairman and CEO of InsynQ Inc. from December 1997 to April 2014.		
Andrew Schell[(2)] Chief Strategies Officer and Director Tacoma, WA	Chief Strategies Officer of Blacklist from September 2016 to present; Co-founder and Director of Ha Coffee Bar from November 2013 to present; Co-founder and President of Sound Development Group from November 2004 to present; Founder and CEO of A.W. Schell Electrical Services Inc. from November 1999 to March 2014.	Proposed	17,312,521 (16.22%)
Bryen Salas President and Director Tacoma, WA	Co-founder and Vice President of Blacklist from July 2017 to present; Vice President of Sales of Blacklist from December 2015 to July 2017	Proposed	3,732,153 (3.50%)
Christian Struzan Chief Marketing Officer and Director Los Angeles, CA	Founder of XS Brand Inc. from July 2014 to present; CEO of XL Family of Companies from May 2002 to July 2014; Vice President of Armslength Promotions from March 2004 to February 2014.	Proposed	5,248,176 (4.92%)
Austin Gorst Vice President and Director Portland, OR	Co-founder of Blacklist from 2014 to present; Sales Representative of InsynQ, LLC from April 2010 to October 2015.	Proposed	2,338,596 (2.19%)
M. Carroll Benton [(2)(3)(4)] Director Corvallis, OR	Chief Financial Officer and Director of InsynQ, Inc. from August 1997 to 2015	Proposed	318,750 (0.30%)
Brian T. Lofquist[(2)(3)(4)] Director	Consultant at The Lofquist Group from January 2013 to	Proposed	Nil

Seattle, WA	present; Director of FlowWorks Inc. from November 2012 to present; President/General Manager of FlowWorks Inc. from June 2014 to present.		

Notes:

(1) The information as to principal occupation, business or employment and Resulting Issuer Shares beneficially owned or controlled is not within the knowledge of the management of Zara and has been furnished by the respective nominees.
(2) Member of Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Governance Committee.
(5) The total issued and outstanding Resulting Issuer Shares is expected to be 106,737,203 on an undiluted basis.

The Resulting Issuer will have three committees: the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

Board of Directors Committees

The Audit Committee of the Resulting Issuer will consist of the following members:

Andrew Schell Non-Independent Member

M. Carroll Benton Independent Member

Brian Lofquist Independent Member

The Compensation Committee of the Resulting Issuer will consist of the following members:

John Gorst Non-Independent Member

M. Carroll Benton Independent Member

Brian Lofquist Independent Member

The Corporate Governance Committee of the Resulting Issuer will consist of the following members:

Brian Lofquist Independent Member

John Gorst Non-Independent Member

M. Carroll Benton Independent Member

Management

The following sets out details of the proposed directors and management of the Resulting Issuer:

John P. Gorst, Proposed Director and Chief Executive Officer, Age 50

John has been CEO of Blacklist since April 2017. Prior to joining Blacklist, John was CEO of InsynQ, Inc. for 17 years before the company was sold. John has built, led, and sold four different technology companies, with market values up to US$600 million. He raised a total of US$30 million for his past businesses and has applied the same capital raising strategies for Blacklist. John is the largest early

investor in Blacklist, and has been at the helm throughout Blacklist's founding and expansion as Washington's leading vape company.

As CEO of Blacklist, John assumed a fledgling workforce and helped the more youthful managers and staff of Blacklist to learn and apply critical thinking skills, problem identification and resolution, and lean kaizen practices. His keen radar senses issues before they become problems, and he has helped the team learn how to readily adapt. John has employed a well-balanced executive-level team to achieve the goals and mission of Blacklist.

John has led his executive team in the development of an aggressive business growth plan to maximize possible opportunities for expansion of market share of existing products. He plans to continue to focus on research and development activities that Blacklist hopes will evolve into new product lines that will help establish Blacklist as a world-class leader in this industry.

John intends to devote the majority of his time to the Resulting Issuer. Upon completion of the Transaction, John will enter into a non-competition agreement and non-disclosure agreement as part of his employment agreement with the Resulting Issuer.

Andrew W. Schell, Proposed Director and Chief Strategies Officer, Age 45

Andrew has been the Chief Strategies Officer of Blacklist since September 2016. Previously, Andrew founded A.W. Schell Electrical Services Inc., a contractor for the United States Department of Defense, and built the company to more than US$18 million in annual revenue. Through a merger, he was able to raise revenue to over US$50 million and move on to other personal ventures. He has managed over 250 employees and has experience in manufacturing, engineering, and operations, and expanded his company into California, Oregon and Washington.

Andrew intends to devote the majority of his time to the Resulting Issuer. Upon completion of the Transaction, Andrew will enter into a non-competition agreement and non-disclosure agreement as part of his employment agreement with the Resulting Issuer.

Bryen J. Salas, Proposed Director and President, Age 30

Bryen is a co-founder of Blacklist and has been the Vice President of Blacklist since July 2017. He was Vice President of Sales of Blacklist from 2012-2017, leading Ionic to becoming one of the top selling vaporizer brands sold in the State of Washington.

Throughout his years at Blacklist, Bryen has served in crucial managerial roles, supporting the functions of Blacklist's supply chain, product development, marketing, human resources and technology.

Bryen devotes 100% of his time to the Resulting Issuer. Upon completion of the Transaction, Bryen will enter into a non-competition agreement and non-disclosure agreement as part of his employment agreement with the Resulting Issuer.

Christian D. Struzan, Proposed Director and Chief Marketing Officer, Age 50

Christian brings 30 years of experience in marketing and branding for the entertainment industry to Blacklist. He founded an advertising agency which developed and executed marketing campaigns for feature films and television series. Christian has expertise in electronic, mobile, and print media advertising.

As Chief Marketing Officer of the Resulting Issuer, Christian is expected to lead the Resulting Issuer in branding IONICTM as a premier vape product. In December 2017, Blacklist was recognized at the DOPE industry awards of Washington State for best branding and marketing. Christian intends to continue to lead the brand promotion of Blacklist's product design and packaging into new markets as identified in its business growth plan.

Christian intends to devote the majority of his time to the Resulting Issuer. Upon completion of the Transaction, Christian will enter into a non-competition agreement and non-disclosure agreement as part of his employment agreement with the Resulting Issuer.

Austin Gorst, Proposed Director and Vice President, Age 29

Austin is a co-founder of Blacklist and has been active in the growth of the business since its inception in 2014. Austin worked six years in information technology while going through the infancies of the business and development of the vape products Blacklist sells today. In September 2015, Austin resigned from his Account Executive role at InsynQ, Inc. and joined Blacklist as a full-time manager of the business. Austin was part of Blacklist's growth in 2016. He assisted with training and building the Blacklist team and increased top line revenue through sales in the Washington market. In early 2017, he started the first expansion plan to replicate Blacklist's business plan in the state of Oregon.

Austin intends to devote the majority of his time to the Resulting Issuer. Upon completion of the Transaction, Austin will enter into a non-competition agreement and non-disclosure agreement as part of his employment agreement with the Resulting Issuer.

M. Carroll Benton, Proposed Director, Age 74

M. Carroll Benton was the Chief Financial Officer, Chief Administrative Officer and Director of Visibility Holdings, Inc. (formerly a public company). Ms. Benton directed and managed the fiscal responsibilities of Visibility Holdings, Inc. since inception in 2000. Ms. Benton's early career spanned both the public and private sectors working largely with the banking systems and higher education institutions where she assisted in the development and deployment strategies necessary for computerization of these and other entities. Ms. Benton successfully managed a 13-state insurance brokerage firm and has been a consultant to the small to medium business markets via accounting system design, implementation, support, and business practice analysis. She also taught undergraduate accounting courses at several Puget Sound colleges and universities. From December 1995 through December 1999, Ms. Benton was president of a computer integration company, Interactive Information Systems Corp. Her public sector experience also includes serving as Chief Financial Officer, Secretary, Treasurer, and Director for Gottaplay Interactive, Inc., an online game rental company, from August 2004 to 2007. Formerly with a CPA firm, Ms. Benton brings over 46 years of financial expertise.

Carroll intends to devote 20% of her time to the Resulting Issuer. Carroll is an independent contractor and has not entered into a non-competition agreement. Upon completion of the Transaction, Carroll will enter into a non-disclosure agreement as part of her consulting agreement with the Resulting Issuer.

Brian Lofquist, Proposed Director, Age 61

Brian Lofquist has been a finance and accounting professional for over 25 years, serving as CFO for small- to mid-sized local businesses. His career highlights include strengthening financial reporting and organization for a manufacturing company in the Seattle area for 12 years and serving as director of finance for a software company where he worked on four mergers and acquisitions on the west coast.

He has comprehensive negotiations experience with mergers and acquisitions. He facilitated a successful merger of a data solutions company, and as part of that acquisition, successfully negotiating a debt-to-equity agreement of US$1 million with their major supplier. He worked with a commercial expresso machine manufacturing company, and participated in Series A, Series B and Series C funding rounds for an aggregate capital raise of US$15.5 million.

He has served as an officer on multiple corporate boards as well as not-for-profit companies, including the Whatcom Beer & Wine Foundation, which helps raise funds for local social service organizations.

Brian intends to devote 5% of his time to the Resulting Issuer. Brian is an independent contractor and has not entered into a non-competition agreement. Upon completion of the Transaction, Brian will enter into a non-disclosure agreement as part of his consulting agreement with the Resulting Issuer.

Scott M. Manson, Chief Financial Officer and Secretary, Age 58

Scott is both a Certified Public Accountant, receiving a BBA, cum laude, from Hofstra University and is a licensed New York attorney, earning his juris doctorate degree from Hofstra University School of Law.

Scott presently serves as Managing Member of Greyzdorf LLC a real estate investment firm. He previously was a director and CFO of Sprizzi Drink Co., a start-up manufacturer and distributor of beverage dispensing machines, from 2012 to 2016. He has served as Chief Financial Officer for numerous public and private companies and has consulted for two cannabis companies. Scott also serves as Treasurer for four not for profit companies and is an advisor to numerous others.

Scott intends to devote the majority of his time to the Resulting Issuer. Upon completion of the Transaction, Scott will enter into a non-competition agreement and non-disclosure agreement as part of his employment agreement with the Resulting Issuer.

RISK FACTORS

The business of Blacklist, which will be the business of the Resulting Issuer upon completion of the Transaction, is subject to certain risks and uncertainties inherent in the cannabis industry. Prior to making any investment decision regarding Blacklist, or the Resulting Issuer as the case may be, investors should carefully consider, among other things, the risk factors set forth below.

While this Circular has described the risks and uncertainties that management of Zara and Blacklist believe to be material to the Resulting Issuer's business, it is possible that other risks and uncertainties affecting the Resulting Issuer's business will arise or become material in the future.

If the Resulting Issuer is unable to address these and other potential risks and uncertainties following the completion of the Transaction, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Resulting Issuer Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Resulting Issuer:

Limited Operating History

Blacklist, whose respective businesses will comprise the business of the Resulting Issuer, has only limited operating results to date. Blacklist has dedicated significant portions of its cash flows to creating infrastructure to capitalize on the opportunity for value creation that is emerging from the relaxing of state and local prohibitions on the cannabis industry in the United States and Canada. The Resulting Issuer's lack of extensive operating history makes it difficult for investors to evaluate the Resulting Issuer's prospects for success. Prospective investors should consider the risks and difficulties the Resulting Issuer might encounter, especially given the Resulting Issuer's lack of an extensive operating history or audited financial information. There is no assurance that the Resulting Issuer will be successful and the likelihood of success must be considered in light of its relatively early stage of operations.

Reliance on Management

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

Additional Financing

The Resulting Issuer will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Profitability of the Resulting Issuer

The Resulting Issuer may experience difficulties in its development process, such as capacity constraints, quality control problems or other disruptions, which would make it more difficult to generate profits. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale or improvements in manufacturing processes and design could have a material adverse effect on the Resulting Issuer's business, prospects, results of operations and financial condition.

Ongoing Costs and Obligations

The Resulting Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Resulting Issuer's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Raw Materials and Supply

In the cannabis industry, there is a risk that raw input materials or materials purchased from a third-party processor or producer could be contaminated with pesticides, heavy metals, mycotoxin, and microbial agents.

All recreational markets that sell our brands require quality assurance testing for each lot of final marijuana product and must 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 manufactured of each marijuana product are adequately assessed for contaminants and the cannabinoid profile is correctly labeled for consumers. The quality assurance tests required for marijuana 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 each state governing cannabis body through its traceability system. In conjunction with States Departments of Agriculture, each state board conducts random screening for pesticide residues. It is possible the much 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.

If the Resulting Issuer's licensed processors and co-packagers or other third-party services providers fail to have positive testing results, the Resulting Issuer could experience negative adverse effect on its operations and ability to produce and sell its products.

Competition

It is likely that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Resulting Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. To become and remain competitive, the Resulting Issuer will require research and development, marketing, sales and support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

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

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Resulting Issuer's operations; and (vi) loss or reduction of control over certain of the Resulting Issuer's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Resulting Issuer at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Resulting Issuer. A strategic transaction may result in a significant change in the nature of the Resulting Issuer's business, operations and strategy. In addition, the Resulting Issuer may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Resulting Issuer's operations.

Unfavorable Publicity or Consumer Perception

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

cannabis in general, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

Product Liability

As a provider to manufacturers and distributors of products designed to facilitate cannabis ingestion by humans, the Resulting Issuer would face an inherent risk of exposure to product liability claims, regulatory action and litigation if its customers' products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the cannabis used in the Resulting Issuer's customers' products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a supplier to manufacturers and distributors of products designed to facilitate the consumption of medical cannabis, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of medical cannabis, the Resulting Issuer may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Resulting Issuer will have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Resulting Issuer may require advance approval of its products from federal, state, provincial and/or local authorities. While the Resulting Issuer intends to follow the guidelines and regulations of each applicable federal, state, provincial and/or local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any federal, state, provincial and/or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Resulting Issuer's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Resulting Issuer is unable to maintain an acceptable degree of quality control of its products, the Resulting Issuer will incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

Research and Development

Before the Resulting Issuer can obtain regulatory approval for the commercial sale of any of its products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays.

The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in Developing Products

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

Success of New and Existing Products and Services

The Resulting Issuer has committed, and expects to continue to commit, significant resources and capital to develop and market new products and services. These products and services are relatively untested, and the Resulting Issuer cannot guarantee that it will achieve market acceptance for any new products and services that the Resulting Issuer may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Resulting Issuer to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm the Resulting Issuer's business, financial condition and results of operations.

Continued Market Acceptance by Consumers

The Resulting Issuer is substantially dependent on continued market acceptance of its products by consumers. Although the Resulting Issuer believe that the use of products similar to the products to be designed and manufactured by the Resulting Issuer is gaining international acceptance, the Resulting Issuer cannot predict the future growth rate and size of this market.

Promoting and Maintaining Brands

The Resulting Issuer believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive the Resulting Issuer's products to be of high quality, or if the Resulting Issuer introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Resulting Issuer will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Resulting Issuer may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Resulting Issuer incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Director and Officer Control of Resulting Issuer Shares

Following the completion of the Transaction, the officers and directors of the Resulting Issuer own approximately 43.22% of the issued and outstanding Resulting Issuer Shares. The Resulting Issuer's shareholders nominate and elect the Board of Directors, which generally has the ability to control the acquisition or disposition of the Resulting Issuer's assets, and the future issuance of Resulting Issuer Shares. Accordingly, for any matters with respect to which a majority vote of the Resulting Issuer Shares may be required by law, the Resulting Issuer's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Resulting Issuer Shares, investors may find it difficult or impossible to replace the Resulting Issuer's directors if they disagree with the way the Resulting Issuer's business is being operated.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Issuer and Blacklist believe that the articles, reports and studies support their respective beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Resulting Issuer Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Resulting Issuer's products with the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Reliance on Key Inputs

The distribution business is dependent on a number of key inputs and their related costs including raw materials and supplies related to product development and manufacturing operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Resulting Issuer's business, financial condition, results of operations or prospects. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Resulting Issuer might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Resulting Issuer in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Resulting Issuer.

Dependence on Suppliers and Skilled Labour

The ability of the Resulting Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Resulting Issuer's capital expenditure plans may be significantly greater than anticipated by the Resulting Issuer's management, and may be greater than funds available to the Resulting Issuer, in which circumstance the Resulting Issuer may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Difficulty to Forecast

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Management of Growth

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

Internal Controls

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Resulting Issuer Shares.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Resulting Issuer and as officers and directors of such other companies.

Litigation

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

Intellectual Property Risks

The Resulting Issuer will have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Resulting Issuer will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Resulting Issuer may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Resulting Issuer's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the *Controlled Substances Act*, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Resulting Issuer. As a result, the Resulting Issuer's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state, provincial and/ or local level.

Fraudulent Or Illegal Activity by Employees, Contractors And Consultants

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

Information Technology Systems and Cyber-Attacks

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

The Resulting Issuer has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Resulting Issuer will not incur such losses in the future. The Resulting Issuer's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect

systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Resulting Issuer's product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Resulting Issuer's facilities could expose the Resulting Issuer to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Resulting Issuer's products.

Operating Risks and Insurance

The Resulting Issuer's operations will be subject to hazards inherent in the medical cannabis industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Resulting Issuer to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Resulting Issuer will continuously monitor its operations for quality control and safety. However, there are no assurances that the Resulting Issuer's safety procedures will always prevent such damages. Although the Resulting Issuer will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Resulting Issuer will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Resulting Issuer, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Resulting Issuer, the Resulting Issuer's ability to conduct normal business operations and on the Resulting Issuer's business, financial condition, results of operations and cash flows in the future.

Uninsured or Uninsurable Risk

The Resulting Issuer may be subject to liability for risks against which it cannot insure or against which the Resulting Issuer may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Resulting Issuer's normal business activities. Payment of liabilities for which the Resulting Issuer does not carry insurance may have a material adverse effect on the Resulting Issuer's financial position and operations.

Issuance of Debt

From time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Resulting Issuer's debt levels above industry standards for companies of similar size. Depending on future exploration and development plans, the Resulting Issuer may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Resulting Issuer. Neither the Resulting Issuer's notice of articles nor its articles will limit the amount of indebtedness that the Resulting Issuer may incur. As a result, the level of the Resulting Issuer's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Resulting Issuer which may be dilutive to the other shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Resulting Issuer's financial estimates, projections and other forward-looking information accompanying this Circular were prepared by Zara and Blacklist without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should research Zara and Blacklist and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Resulting Issuer might achieve.

Certain Remedies and Rights to Indemnification may be Limited

The Resulting Issuer's governing documents will provide that the liability of its board of directors and officers is eliminated to the fullest extent allowed under the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Thus, the Resulting Issuer and the shareholders of the Resulting Issuer may be prevented from recovering damages for alleged errors or omissions made by the members of the board of directors of the Resulting Issuer and its officers. The Resulting Issuer's governing documents will also provide that the Resulting Issuer will, to the fullest extent permitted by law, indemnify members of the board of directors of the Resulting Issuer and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Resulting Issuer.

Going-Concern Risk

The *pro forma* financial statements of the Resulting Issuer have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Resulting Issuer's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Resulting Issuer will be successful in completing an equity or debt financing or in achieving profitability. The *pro forma* financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Resulting Issuer be unable to continue as a going concern.

Client Acquisitions

The Resulting Issuer's success depends on its ability to attract and retain clients. There are many factors which could impact the Resulting Issuer's ability to attract and retain clients, including but not limited to the Resulting Issuer's ability to continually produce desirable and effective products, the successful implementation of the Resulting Issuer's client-acquisition plan and continued growth in the aggregate number of consumers choosing to use cannabis either recreationally or medically. The Resulting Issuer's failure to acquire and retain customers would have a material adverse effect on the Resulting Issuer's business, operating results and financial condition.

Credit Risk

The Resulting Issuer will be exposed to credit risk through its cash and cash equivalents. Credit risk arises from deposits with banks and outstanding receivables. The Resulting Issuer does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Industry and Regulatory Risks

Regulatory Regime

The business and activities of the Resulting Issuer are heavily regulated in all jurisdictions where it will carry on business. The Resulting Issuer's operations will be subject to various laws, regulations and guidelines by governmental authorities. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Resulting Issuer, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Resulting Issuer's products and services. Achievement of the Resulting Issuer's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Resulting Issuer cannot predict the impact of the compliance regime that is implementing for the United States cannabis industry. Similarly, the Resulting Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

The Resulting Issuer will incur ongoing costs and obligations related to regulatory compliance in both Canada and the United States. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Resulting Issuer's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Changes in Laws, Regulations and Guidelines

The Resulting Issuer's operations will be subject to various laws, regulations, guidelines and licensing requirements both in Canada, the United States and abroad. While, with the exception of United States federal laws and regulations which continue to classify cannabis as a Schedule I controlled substance, the Resulting Issuer is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Resulting Issuer could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition. In particular, any amendment to or replacement of the Cannabis Act, may cause adverse effects to the Resulting Issuer's operations. Additionally, as noted above, cannabis remains a Schedule I controlled substance under United States federal law, and the Resulting Issuer's activities in the states of the United States in which the Resulting Issuer operates may constitute a violation of United States federal criminal laws applicable to such conduct, including, but not limited to, the *Controlled Substances Act*, anti-money laundering laws, and the *Racketeer Influenced and Corrupt Organizations Act*.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines,

such as increasing the minimum age for purchase and consumption. On June 21, 2018, the Cannabis Act received Royal Assent and came into force on October 17, 2018. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Resulting Issuer should be comparable to other companies in the same business as the Resulting Issuer.

Constraints on Marketing Products

The development of the Resulting Issuer's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada and the United States, and the legal environment in the United States—particularly the existence of federal criminal laws that may prohibit certain marketing of cannabis or cannabis products limits companies' abilities to compete for market share in a manner similar to other industries. If the Resulting Issuer is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Resulting Issuer's sales and results of operations could be adversely affected.

Environmental Risk and Regulation

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

Government approvals and permits are currently, and may in the future, be required in connection with the Resulting Issuer's operations.

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

Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Public Opinion and Perception

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). A negative shift in the public's perception of cannabis in Canada, the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new

state jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on its business, results of operations or prospects.

Economic Environment

The Resulting Issuer's operations could be affected by general the economic context conditions should the unemployment level, interest rates or inflation reach levels that influence consumer trends, and consequently, impact the Resulting Issuer's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Resulting Issuer's management.

Global Financial Conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Resulting Issuer's ability to obtain equity or debt financing in the future on terms favourable to the Resulting Issuer. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Resulting Issuer's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Resulting Issuer's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Risks Specifically Related to the United States

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

The Resulting Issuer will be directly engaged in the medical and adult-use cannabis industry in the U.S. in those states which have legalized medical and adult-use cannabis, however all such activities remain illegal under U.S. federal law. Investors are cautioned that even in those states in the U.S. which have legalized medical or adult-use cannabis, the growing, processing, and distribution of cannabis is highly regulated. To our knowledge, there are to date a total of 33 states, and the District of Columbia, Puerto Rico and Guam that have legalized medical cannabis in some form, including California, although not all states have fully implemented their legalization programs. Ten states and the District of Columbia have legalized cannabis for adult use. Fifteen additional states have legalized high-CBD, low THC oils for a limited class of patients. But cannabis continues to be categorized as a Schedule I controlled substance under the federal Controlled Substances Act (21 U.S.C.A. § 801, *et seq.*). A Schedule I drug is considered to have a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the substance under medical supervision. Federal law prohibits commercial production and sale of Schedule I controlled substances, and as such, cannabis-related activities, including without limitation, the importation, cultivation, manufacture, distribution, sale and possession of cannabis remain illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire or attempt to engage in such activities. Strict compliance with state and local laws with

respect to cannabis may neither absolve the Resulting Issuer of liability under U.S. federal law, nor provide a defense to any federal proceeding brought against the Resulting Issuer. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including, but not limited to, forfeiture of his, her or its entire investment, fines, and/or imprisonment.

An appropriations rider contained in the fiscal year 2015, 2016, 2017, and 2018 Consolidated Appropriations Acts (formerly known as the "Rohrabacher-Farr" Amendment; now known as the "Rohrabacher-Blumenauer Amendment" and currently proposed for the next appropriations rider as the "Joyce Amendment", referred to herein as the "**Amendment**") prohibits the federal government from spending funds to prevent states which have legalized medical cannabis from implementing state laws. The Ninth Circuit Court of Appeals and other courts have interpreted the language to mean that the DOJ cannot expend funds to prosecute state-law-abiding medical cannabis operators complying strictly with state medical cannabis laws. The Amendment prohibits the federal government from using congressionally appropriated funds to prevent states from implementing their own medical cannabis laws. The Amendment remained in effect through the end of the 2018 fiscal year—September 30—and has been included in the continuing resolutions funding the U.S. federal government while the current Congress considers a budget for the 2019 fiscal year. The current appropriations bill contains the Amendment but has not yet been passed in Congress. Continued reauthorization of the Amendment is predicated on future political developments and cannot be guaranteed. If the Amendment expires, federal prosecutors could prosecute even state-compliant medical cannabis operators for conduct within the five-year statute of limitations. The Amendment does not prohibit the DOJ from spending funds to prevent states from implementing adult-use cannabis laws, including by spending funds to prosecute people who are operating in accordance with state adult–use cannabis laws.

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

Uncertainty Surrounding Existing Protection from U.S. Federal Prosecution

Pursuant to the Amendment, until September 30, 2018, the DOJ was prohibited from expending any funds to prevent states from implementing their own medical cannabis laws. The Amendment remains in effect while the fiscal year 2018 budget is continued by short term budget resolutions, but if the Amendment or an equivalent thereof is not successfully included in the next or any subsequent federal omnibus spending bill, the protection which has been afforded thereby to U.S. medical cannabis businesses in the past would lapse, and such businesses would be subject to a higher risk of prosecution under federal law. Although unlikely, there is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions are not included in the base federal omnibus spending bill or other law, these protections would lapse.

Approach to Federal Enforcement of Cannabis Laws may be Subject to Change

As a result of the conflicting views between states and the federal government regarding cannabis, investments in, and the operations of, cannabis businesses in the U.S. are subject to inconsistent laws and regulations. The so-called "Cole Memo" issued by former Deputy Attorney General James Cole on August 29, 2013 and other Obama-era cannabis policy guidance, discussed below, provided the framework for managing the tension between federal and state cannabis laws. Subsequently, as discussed below, then Attorney General Jeff Sessions rescinded the Cole Memo and related policy

guidance. Although no longer in effect, these policies, and the enforcement priorities established within, appear to continue to be followed during the Trump administration and remain critical factors that inform the past and future trend of state-based legalization.

The Cole Memo directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that comply with state medical or adult-use cannabis regulatory programs, provided certain enumerated enforcement priorities (such as diversion or sale of cannabis to minors) were not implicated. In addition to general prosecutorial guidance issued by the DOJ, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued the FinCen Memorandum on February 14, 2014 outlining Bank Secrecy Act-compliant pathways for financial institutions to service state-sanctioned cannabis businesses, which echoed the enforcement priorities outlined in the Cole Memo. On the same day the FinCEN Memorandum was published, the DOJ issued complimentary policy guidance directing prosecutors to apply the enforcement priorities of the Cole Memo when determining whether to prosecute individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related activities (the "**Cole Banking Memorandum**").

On January 4, 2018, then Attorney General Jeff Sessions rescinded the Cole Memo, the Cole Banking Memorandum, and all other related Obama-era DOJ cannabis enforcement guidance. While the rescission did not change federal law, as the Cole Memo and other DOJ guidance documents were not themselves laws, the rescission removed the DOJ's formal policy that state-regulated cannabis businesses in compliance with the Cole Memo guidelines should not be a prosecutorial priority. Notably, Attorney General Sessions' rescission of the Cole Memo and the Cole Banking Memorandum has not affected the status of the FinCEN Memorandum issued by the Department of Treasury, which remains in effect. In addition to his rescission of the Cole Memo, Attorney General Sessions issued the Sessions Memorandum. The Sessions Memorandum explains the DOJ's rationale for rescinding all past DOJ cannabis enforcement guidance, claiming that Obama-era enforcement policies are "unnecessary" due to existing general enforcement guidance adopted in the 1980s, in chapter 9.27.230 of the USAM. The USAM enforcement priorities, like those of the Cole Memo, are based on the use of the federal government's limited resources and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community." Although the Sessions Memorandum emphasizes that cannabis is a federally illegal Schedule I controlled substance, it does not otherwise instruct U.S. Attorneys to consider the prosecution of cannabis-related offenses a DOJ priority, and in practice, most U.S. Attorneys have not changed their prosecutorial approach to date. However, due to the lack of specific direction in the Sessions Memorandum as to the priority federal prosecutors should ascribe to such cannabis activities, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation and prospects, even if such proceedings were concluded successfully in favour of the Resulting Issuer. In the extreme case, such proceedings could ultimately involve the criminal prosecution of key executives of the Resulting Issuer, the seizure of corporate assets, and consequently, the inability of the Resulting Issuer to continue its business operations. Strict compliance with state and local laws with respect to cannabis does not absolve the Resulting Issuer of potential liability under U.S. federal law, nor provide a defense to any federal proceeding which may be brought against the Resulting Issuer. Any such proceedings brought against the Resulting Issuer may adversely affect the Resulting Issuer's operations and financial performance.

Risks Associated with Banking, Financial Transactions, and Anti-Money Laundering Laws and Regulations

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the *Bank Secrecy Act*, as amended by *Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime*

(Money Laundering) and *Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the Controlled Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking account or credit card in violation of the *Bank Secrecy Act* could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions. Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the Controlled Substances Act. The Resulting Issuer may also be exposed to the foregoing risks.

As previously introduced, in February 2014, FinCEN issued the FinCen Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of the Bank Secrecy Act. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Controlled Substances Act. Although the FinCEN Memorandum remains in effect today, it is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If the Resulting Issuer does not have access to a U.S. banking system, its business and operations could be adversely affected.

The Racketeer Influenced Corrupt Organizations Act ("**RICO**") may also criminalize cannabis-related activities. RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business' operations.

In the event that any of the Resulting Issuer's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject the Resulting Issuer to civil and/or criminal penalties. Furthermore, while there are no current intentions to declare or pay

dividends on the Resulting Issuer Shares in the foreseeable future, in the event that a determination was made that the Resulting Issuer's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. The Resulting Issuer could likewise be required to suspend or cease operations entirely.

Federal and State Forfeiture Laws

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, seizure of assets, disgorgement of profits, cessation of business activities or divestiture. As an entity that conducts business in the cannabis industry, the Resulting Issuer will be potentially subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state (or local police force) that wants to discourage residents from conducting transactions with cannabis related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Members of the Resulting Issuer located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Members and prospective members of the Resulting Issuer should be aware of these potentially relevant federal and state laws in considering whether to invest in the Resulting Issuer.

Risk of Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, intended operations of the Resulting Issuer (and currently of the Constituents) in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer 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 our ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. If CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Resulting Issuer, it would have a material adverse effect on the ability of holders of Resulting Issuer Shares to make trades. In particular, the Resulting Issuer Shares would become highly illiquid as investors would have no ability to effect a trade of the Resulting Issuer Shares through the facilities of a stock exchange.

In the United States, many clearing houses for major broker-dealer firms, including Pershing LLC, the largest clearing, custody and settlement firm in the United States, have refused to handle securities or settle transactions of companies engaged in cannabis related business. Many other clearing firms have taken a similar approach. This means that certain broker-dealers cannot accept for deposit or settle

transactions in the securities of companies, which may inhibit the ability of investors to trade in our securities and could negatively affect the liquidity of our securities.

In addition, on November 24, 2017, the TMX Group provided an update regarding issuers with cannabis-related activities in the United States and confirmed that TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchange's rules for companies that have cannabis-related activities in the United States and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. On February 8, 2018, CDS signed a memorandum (the "**CDS MOU**") with the Exchanges. The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS 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 currently is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Resulting Issuer, it would have a material adverse effect on the ability of Resulting Issuer Shares to make trades. In particular, the Resulting Issuer Shares would become highly illiquid as investors would have no ability to effect a trade of Resulting Issuer Shares through the facilities of a stock exchange.

Any restrictions imposed by the CSE or other applicable exchange on the business of the Resulting Issuer and/or the potential delisting of the Resulting Issuer Shares from the CSE or other applicable exchange would have a material adverse effect on the Resulting Issuer and on the ability of holders of Resulting Issuer Shares to make trades.

Negative Impact of Regulatory Scrutiny on Raising Capital

The Resulting Issuer's business activities will rely on newly established and/or developing laws and regulations in multiple jurisdictions. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Resulting Issuer's profitability or cause it to cease operations entirely. The cannabis industry may come under scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other applicable federal, state, or non-governmental regulatory authorities or self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Resulting Issuer's industry may adversely affect the business and operations of the Resulting Issuer, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Resulting Issuer or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Resulting Issuer.

Risk of Regulatory or Political Change

The success of the Resulting Issuer's business strategy depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To our knowledge, there are to date a total of 30 states and the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including California, and additional states have pending legislation regarding the same; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Resulting Issuer's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict the Resulting Issuer's ability to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Resulting Issuer is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Resulting Issuer, and thus, the effect on the return of investor capital, could be detrimental. We are unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guaranty that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Resulting Issuer and its business, results of operations, financial condition and prospects.

The Resulting Issuer is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

The commercial, medical and adult-use cannabis industries are in their infancy and we anticipate such regulations will be subject to change as the jurisdictions in which the Resulting Issuer will carry on business mature. The Resulting Issuer expects to put in place a detailed compliance program that will oversee, maintain, and implement the compliance program and personnel.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Resulting Issuer to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

General Regulatory Risks

The Resulting Issuer's business will be subject to a variety of laws, regulations and guidelines and licensing requirements in Canada and the United States. Achievement of the Resulting Issuer's business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals.

The Resulting Issuer will be required to obtain or renew further government permits and licenses for its contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Resulting Issuer's part. The duration and success of the Resulting Issuer's efforts to obtain, amend and renew permits and licenses will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Resulting Issuer may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Resulting Issuer. To the extent permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Resulting Issuer may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

There is no assurance that the Resulting Issuer's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Resulting Issuer could impede the ongoing or planned operations of the Resulting Issuer and have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits,

and other contingencies could harm the Resulting Issuer's reputation, require the Resulting Issuer to take, or refrain from taking, actions that could harm its operations or require the Resulting Issuer to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Resulting Issuer's business, financial condition, results of operations or prospects.

Differing Local Rules and Regulations May Limit Ability to Expand into New Markets

Expansion of the Resulting Issuer's business into new markets with different rules and regulations or distant from then-existing operations, may not succeed. Any such expansion may expose the Resulting Issuer to new operational, regulatory and/or legal risks. In addition, expanding into new localities may subject the Resulting Issuer to unfamiliar or uncertain local rules and regulations that may adversely affect the operations of the Resulting Issuer. For example, different localities may impose different rules on how cannabis may be cultivated, manufactured, processed, distributed and/or transported. Each of the political subdivisions of California, and Oregon currently has or may in the future obtain the right to subject participants in the cannabis industry operating within its jurisdiction to its own set of rules and regulations regarding the acquisition and maintenance of required licenses, and the conduct of business, including prohibiting such operations and business in full or in part, regardless of the rules and regulations of adjacent political subdivisions. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets.

Re-classification of Cannabis in the United States

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis may materially alter enforcement policies across many federal agencies, primarily the U.S. Food and Drug Administration ("**FDA**"). FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the Federal Food Drug and Cosmetic Act ("**FFDCA**"). FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has enforced the FFDCA with regard to hemp-derived products, especially CBD, sold outside of state-regulated cannabis businesses. If cannabis were to be rescheduled to a federally controlled, yet legal, substance, FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA, and others to enforce the CSA and FFDCA against businesses that comply with state but not federal law. The potential for multi-agency enforcement post-rescheduling could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including the Resulting Issuer.

Availability of U.S. Federal Patent and Trademark Protection

As long as cannabis remains illegal under U.S. federal law, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Resulting Issuer. As a result, the Resulting Issuer's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Reliance on Third-Party Suppliers

The Resulting Issuer will be reliant on third-party suppliers to develop, manufacture and distribute its products. Due to the uncertain regulatory landscape for regulating cannabis in the United States, the Resulting Issuer's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Resulting Issuer's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Resulting Issuer's business and operational results.

Enforceability of Contracts

Due to the nature of the Resulting Issuer's intended business and the fact that its contracts will involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Resulting Issuer may face difficulties in enforcing its contracts in federal and certain state courts. The inability to enforce any of the Resulting Issuer's contracts could have a material adverse effect on the Resulting Issuer's business, operating results, financial condition or prospects.

Potential Disclosure of Personal Information

Blacklist and its Affiliates currently own, manage, or provide services to or may in the future acquire interests, manage, or provide services to various U.S. state licensed cannabis operations. Acquiring even a minimal and/or indirect interest in a U.S. state-licensed cannabis business can trigger requirements to disclose investors' personal information. While these requirements vary by jurisdiction, some require interest holders to apply for regulatory approval and to provide tax returns, compensation agreements, fingerprints for background checks, criminal history records and other documents and information. Some states require disclosures of directors, officers and holders of more than a certain percentage of equity of the applicant. While certain states include exceptions for investments in publicly traded entities, not all states do so, and some such exceptions are confined to companies traded on a U.S. securities exchange. If these regulations were to extend to the Resulting Issuer, investors would be required to comply with such regulations, or face the possibility that the relevant cannabis license could be revoked or cancelled by the state licensing authority.

Market and Other Risks

Volatility in the Market Price of the Resulting Issuer's Securities

The Resulting Issuer Shares are expected to be listed on the CSE under the symbol "IONC" following the completion of the Transaction. Securities of cannabis companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of the Resulting Issuer Shares is also likely to be significantly affected by short-term changes in cannabis, by the Resulting Issuer's financial condition or results of operations as reflected in its quarterly financial statements and by other operational and regulatory matters. As a result of any of these factors, the market price of the Resulting Issuer Shares at any given point in time may not accurately reflect their long-term value.

Payment of Dividends Unlikely

There is no assurance that the Resulting Issuer will pay dividends on its shares in the near future or ever. The Resulting Issuer will likely require all its funds to further the development of its business.

PROMOTERS

No person or company is or has been within the two years immediately preceding the date of this Listing Statement a promoter of the Resulting Issuer.

AUDITORS OF THE RESULTING ISSUER

The current auditors of Zara is Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants located at 1500 – 1140 West Pender Street, Vancouver, British Columbia V6E 4G1 and will continue to be the auditors of the Resulting Issuer following the completion of the Transaction.

TRANSFER AGENT AND REGISTRAR

Zara's registrar and transfer agent, Reliable Stock Transfer Inc., located at 5700 – 100 King Street West, Toronto, Ontario M5X 1C7 will be the registrar and transfer agent of the Resulting Issuer.

SCHEDULE A OF APPENDIX D

PRO FORMA FINANCIAL STATEMENTS

[See Attached]

BLACKLIST HOLDINGS INC.

PRO-FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT OCTOBER 31, 2018

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in US Dollars)

BLACKLIST HOLDINGS INC.
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT OCTOBER 31, 2018 (UNAUDITED)

(expressed in US Dollars)

	ZARA RESOURCES INC. OCTOBER 31, 2018	BLACKLIST HOLDINGS INC. SEPTEMBER 30, 2018	PRO FORMA ADJUSTMENTS	NOTE	PRO FORMA CONSOLIDATED
ASSETS					
Current Assets					
Cash and cash equivalents	$ -	$ 16,465	$ 7,561,716	3	$ 7,578,181
Receivables	2,510	1,016,577	-		1,019,087
Non-Current Assets	2,510	1,033,042	7,561,716		8,597,268
Property and equipment	-	412,550	-		412,550
Total Assets	$ 2,510	$ 1,445,592	$ 7,561,716		$ 9,009,818
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	$ 33,018	$ 926,497	$ (107,948)	3	$ 851,567
Due to related party	58,537	-	(58,537)	3	-
	91,555	926,497	(166,485)		851,566
Non-Current Liabilities					
Loans payable	-	758,850	(249,812)	3	509,038
Vehicle loans	-	119,690	-		119,690
Preferred C shares liabilities	76,090	-	(76,090)	3	-
Total Liabilities	$ 167,645	$ 1,805,037	$ (492,387)		$ 1,480,295
Shareholders' Equity					
Common shares	1,240,862	146,058	11,449,271	3	12,836,191
Share issuance costs	-	-	(2,521,474)	3	(2,521,474)
Reserves	750,704	1,261,875	(1,812,217)	3	200,362
Retained earnings (Deficit)	(2,156,701)	(1,767,378)	938,523	3	(2,985,556)
	$ (165,135)	$ (359,445)	$ 8,054,103		$ 7,529,523
Total Liabilities and Shareholders' Equity	$ 2,510	$ 1,445,592	$ 7,561,716		$ 9,009,818

The accompanying notes are an integral part of these pro-forma condensed consolidated financial statements

1. Proposed Transaction with Zara Resource Inc.

Blacklist Holdings Inc. ("Blacklist", or the "Corporation") and Zara Resource Inc. ("Zara") have entered into an assignment and novation agreement dated September 28, 2018 (the "Assignment Agreement"), pursuant to which Zara will acquire all of the issued and outstanding common shares of Blacklist in consideration for Zara common shares on a one-for-one basis (the "Transaction"). As a result of the acquisition of Blacklist, Zara will become the sole registered owner of all the outstanding Blacklist shares.

Completion of the Transaction is subject to a number of conditions, including the completion of a private placement financing, approval by the shareholders of Zara and Blacklist, and receipt of all required regulatory approvals, including the approval of the Canadian Stock Exchange ("CSE"). The Transaction cannot close until these conditions are satisfied and the required approvals are obtained. There can be no assurance that the Transaction will be completed.

2. Basis of Presentation

The unaudited pro-forma condensed consolidated statement of financial position ("Pro-Forma Statement of Financial Position") of Blacklist gives effect to the Transaction as described above. In substance, the Transaction involves Blacklist shareholders obtaining control of Zara. The Pro-Forma Statement of Financial Position gives effect to the acquisition of Blacklist outstanding common shares by Zara as a reverse takeover that does not constitute a business for accounting purposes. Blacklist is deemed to be the acquiring company and its assets, liabilities, equity and historical operating results are included at their historical carrying values. The net assets of Zara will be recorded at fair value as at the Transaction date with any excess recorded as a public company listing expense. All of Zara's deficit and other equity balances prior to the Transaction are eliminated.

The accompanying Pro-Forma Statement of Financial Position has been compiled for illustrative purposes by management to give effect to the Transaction as if it had been completed on October 31, 2018.

The Pro-Forma Statement of Financial Position is not intended to reflect the financial position that will exist following the Transaction. Actual amounts recorded should the Transaction take place will likely differ from those recorded in the Pro-Forma Statement of Financial Position.

The Pro-Forma Statement of Financial Position is presented in US dollars ("USD") and has been compiled by combining:

- Zara's unaudited interim financial statements as at the three-months period ended October 31, 2018;
- Blacklist' unaudited condensed interim financial statements as at and for the nine-month period ended September 30, 2018;
- The additional information set out in Note 3 of these Pro-Forma Statement of Financial Position.

The functional currency of Zara is Canadian dollars (CAD), while the functional currency for Blacklist in US dollars. For comparative purposes, the financial statements of Zara have been translated into US dollars as at October 31, 2018 for the purpose of presenting a Pro-Forma Statement of Financial Position.

This Pro-Forma Statement of Financial Position should be read in conjunction with the audited annual and financial statements of Zara as at and for the year ended July 31, 2018 and the unaudited interim financial statements as at and for the three months ended October 31, 2018 and Blacklist's audited financial statements as at and for the years ended December 31, 2017 and 2016 and unaudited interim financial statements as at and for the nine months ended September 30, 2018.

The accounting policies used in the preparation of the Pro-Forma Statement of Financial Position are those set out in the audited financial statements of Blacklist as at and for the years ended December 31, 2017 and 2016. In preparing the Pro-Forma Statement of Financial Position, a review was undertaken to identify differences between Zara's accounting policies and those of Blacklist that could have a material impact of the pro-forma financial statements. No material differences were noted. On closing of the Transaction, Zara will adopt the accounting policies set out in Blacklist' financial statements.

The pro-forma adjustments and allocations of the purchase price of Zara by Blacklist as a reverse takeover are based in part on estimates of the fair value of the assets acquired and liabilities assumed. The final allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual assets and liabilities of Zara that exists as of the date of completion of the acquisition.

3. Pro-Forma Adjustments and Assumptions

The Pro-Forma Statement of Financial Position incorporates the following pro-forma assumptions:

(a) On October 2, 2018, the Corporation issued 4,800,000 convertible debenture units (the "$0.25 Debenture Units") for gross proceeds of $912,912 (CAD $1,200,000) and issued 260,000 $0.25 Debenture Units for the settlement of debt of $49,627 (CAD $65,000). Each $0.25 Debenture Unit is convertible into one common share of the Corporation (the "Blacklist Common Shares") at a conversion price of $0.25 per Debenture Unit. The 5,060,000 Debenture Units are expected to be converted into 5,060,000 Blacklist Common Shares upon the completion of the transaction. As at September 30, 2018, $702,614 (CAD $930,000) of the CAD $1,200,000 proceeds had been received.

(b) On October 10, 2018, the Corporation issued 3,125,000 convertible debenture units (the "$0.40 Debenture Units") for gross proceeds of $951,125 (CAD $1,250,000). Each $0.40 Debenture Unit is convertible into one common share of the Corporation (the "Blacklist Common Shares") at a conversion price of $0.40 per Debenture Unit. The 3,125,000 $0.40 Debenture Units are expected to be converted into 3,125,000 Blacklist Common Shares upon the completion of the transaction. In connection with the $0.40 Debenture Units, the Corporation will issue 420,000 common shares as financing fees.

(c) On November 26 and December 5, 2018, the Corporation issued 3,438,816 convertible debenture units (the "$0.50 Debenture Units") for gross proceeds of $1,308,298 (CAD $1,719,408) and issued 265,400 $0.50 Debenture Units for the settlement of debt of $100,000. Each $0.50 Debenture Unit is convertible into one common share of the Corporation (the "Blacklist Common Shares") at a conversion price of $0.50 per Debenture Unit. The 2,773,416 $0.50 Debenture Units are expected to be converted into 21,000,000 Blacklist Common Shares upon the completion of the transaction. In connection with the $0.50 Debenture Units, the Corporation will issue 162,000 common shares as financing fees and 162,000 financing fee warrants. Each warrant is exercisable for $0.50 per share for a period of 18 months from the date of closing of the Transaction. The total fair value of $23,022 is recorded in equity. The fair value of warrants have been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 2.19%, an expected life of 1.5 years, and an expected volatility of 77.08%.

(d) Subsequent to September 30, 2018, Blacklist incurred $760,900 of marketing expenses and $416,342 of consulting fees. Blacklist issues 262,438 common shares for the settlement of a loan totalling $100,185 and 4,280,262 common shares for the settlement of $1,252,172 of accounts payable.

(e) Upon the completion of the Transaction, the Corporation expects to convert all 32,623,816 outstanding convertible debt units to common shares on a one-to-one basis.

(f) On November 26 and December 5, 2018, the Corporation issued 14,280,146 subscription receipts shares for gross proceeds of $5,432,882 (CAD $7,140,073). The subscriptions receipts will be held in escrow until the closing of the Proposed Transaction; whereby, all subscription receipts will be exchanged for post-consolidated shares of Zara on the closing date of the Proposed Transaction. For the purposes of the Pro-Forma Financial Statements, all subscription receipts are assumed to have been exchanged for post-consolidated shares and all related cash commissions finders' shares are assumed to have been paid. In connection with the $0.50 Subscription Receipts, the Corporation will issue 596,340 common shares as financing fees and 596,340 financing fee warrants. Each warrant is exercisable for CAD $0.50 per share for a period of 18 months from the date of closing of the Transaction. The total fair value of $84,748 is recorded in equity. The fair value of warrants have been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 2.19%, an expected life of 1.5 years, and an expected volatility of 77.08%.

(g) Finders' fees of 5,250,000 Zara common shares will be issued to certain arms' length third parties at closing of the Transaction with an assigned value of $1,997,363. These costs have been allocated to share issuance costs.

(h) On January 14, 2018, Blacklist entered into a non-binding letter of intent with an unrelated third party, whereby Blacklist will receive a loan of CAD $3,500,000 (the "Bridge Loan"). The Bridge Loan matures one year from the date closing date and carries an annual interest rate of 17%, compounded monthly, payable in arrears. The Bridge Loan has a minimum interest payment $162,225 (CAD $210,000), should the principal be repaid prior to the maturity date. In connection with the loan, a financing fee of $81,112 (CAD $105,000) will be paid and 1,500,000 share purchase warrants will be issued. Each warrant is exercisable at CAD $0.55 per share for a period of one year from the date of issuance.

The total fair value of the warrants of $92,592 (CAD $119,861) has been recorded in equity as reserves. The fair value of warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 2.19%, an expected life of 1 year, and an expected volatility of 47.70%.

Management expects the Bridge Loan to be repaid upon the completion of the Transaction from the Subscription Receipts proceeds. The minimum interest payment and financing fee has been included as a Pro-Forma adjustment.

(i) Upon the completion of the Transaction, $33,018 of accounts payables in Zara are expected to be written off prior to the transaction.

(j) Upon the completion of the Transaction, 166,000 common shares of Zara are expected to be issued as settlement for $58,537 of its related party debt.

(k) Upon the completion of the Transaction, Zara expects to convert the existing 83,333 Preferred C Shares of Zara into 1,428,566 pre-consolidated Zara common shares.

(expressed in US dollars, unless otherwise noted)

(I) The Pro-Forma Statement of Financial Position has been adjusted for the elimination of Zara's share capital and accumulated deficit within shareholders' equity.

As a result of the Transaction, a listing expense of $123,799 has been recorded. This reflects the difference between the estimated fair value of Zara shares to Blacklist shareholders less the fair value of net assets of Zara acquired.

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

Purchase Price		
332,000 common shares of Zara Resource Inc valued at $0.38 (CAD $0.50)	$	126,309
Total Purchase Price	$	126,309
Allocation of Purchase Price		
Receivables	$	2,510
Accounts and accrued liabilities		-
Charge related to public company listing		123,799
	$	126,309

The pro-forma adjustments and allocations of the estimated consideration transferred are based in part on estimates of the fair value of assets to be acquired and liabilities to be assumed. The final determination of the consideration transferred and the related allocation of the fair value of the Zara net assets to be acquired pursuant to the Transaction will ultimately be determined after the closing of the transactions. It is likely that the final determination of the consideration transferred and the related allocation of the fair value of the assets acquired and liabilities assumed will vary from the amounts present in the Pro-Forma Statement of Financial Position and that those differences may be material.

4. Pro-Forma Tax Rate

The pro-forma effective tax rate that will be applicable to the operations of Blacklist is 26%.

Federal tax rate	15%
Provincial tax rate	11%
Pro-forma effective tax rates	**26%**

(expressed in US dollars, unless otherwise noted)

5. Pro-Forma Share Capital

As a result of the Transaction the share capital as at October 31, 2018 in the pro-forma condensed consolidated financial statements is comprised of the following:

Authorized
Unlimited common shares, without par value

	Note	Number of Shares	Share Capital	Share Issuance Cost	Reserves
Opening balance of Zara		10,505,486	$ 1,240,862	$ -	$ 750,704
Conversion of related party debt to common shares of Zara	3(j)	166,000	58,537	-	-
Conversion of 83,333 Preferred C Shares of Zara to 1,428,566 Common shares	3(k)	1,428,566	543,498	-	-
Consolidation of Zara common shares at a conversion ratio of 36.4459:1		(11,768,052)	-	-	-
Common shares issued per reverse takeover of Zara	3(l)	332,000	126,309	-	-
Elimination of pre-acquisition share capital of Zara	3(l)	(332,000)	(1,842,897)	-	(750,704)
Common shares of Blacklist		8,009,999	146,058	-	-
Reserves of Blacklist		-	-	-	1,261,875
Blacklist Common stock split at 6.375:1 ratio		43,053,745	-	-	-
Conversion of CAD $0.035 Convertible Debenture Units to Common stock at CAD $0.035	3(e)	21,000,000	559,262	-	(559,262)
Conversion of CAD $0.25 Convertible Debenture Units to Common stock at CAD $0.25	3(e)	5,060,000	962,539	-	(702,613)
Conversion of CAD $0.40 Convertible Debenture Units to Common stock at CAD $0.40	3(e)	3,125,000	951,125	-	-
Conversion of CAD $0.50 Convertible Debenture Units to Common stock at CAD $0.50	3(e)	3,438,816	1,308,297	-	-
CAD $0.50 Private placement subscription receipts exchanged for common shares	3(f)	14,280,146	5,432,882	-	-
Conversion of loan to CAD $0.50 common shares	3(d)	262,438	100,185	-	-
Conversion of accounts payable to CAD $0.50 common shares	3(d)	3,101,922	835,830	-	-
Finders' fees	3(g)	5,250,000	1,997,363	(1,997,363)	-
Financing fee shares for CAD $0.40 debentures	3(b),3(d)	420,000	127,831	(127,831)	-
Financing fee shares for CAD $0.50 debentures	3(c),3(d)	162,000	61,633	(61,633)	-
Financing fee shares for CAD $0.50 subscription receipts	3(f),3(d)	596,340	226,877	(226,877)	-
Financing fee warrants	3(c),3(f)	-	-	(107,770)	107,770
Bridge Loan Warrants	3(h)	-	-	-	92,592
Pro-Forma Share Capital		108,092,406	$ 12,836,191	$ (2,521,474)	$ 200,362

APPENDIX E

ZARA ARTICLES

[See Attached]

ZARA RESOURCES INC.

(the "Company")

The Company has as its articles the following articles.

Full name and signature of a Director	Date of signing
"Daniel Wettreich" DANIEL WETTREICH	June 25, 2013

Incorporation number: C0974383

ARTICLES

Articles amended by resolution of the directors dated December 27, 2012 and filed with the Corporate Registry on July 3, 2013, and further amended by resolution of the directors dated July 30, 2013 and filed with the Corporate Registry on August 6, 2013.

PROVINCE OF BRITISH COLUMBIA
BUSINESS CORPORATIONS ACT
ARTICLES OF
ZARA RESOURCES INC.

1. INTERPRETATION

1.1 Definitions

In these Articles, unless the context otherwise requires:

(1) "board of directors", "directors" and "board" mean the directors or sole director of the Company for the time being;

(2) "*Business Corporations Act"* means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(3) "legal personal representative" means the personal or other legal representative of the shareholder;

(4) "registered address" of a shareholder means the shareholder's address as recorded in the central securities register; and

(5) "seal" means the seal of the Company, if any;

1.2 Business Corporation Act and Interpretation Act Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise; apply to these Article as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act,* the *Business Corporations Act* will prevail.

2. SHARES AND SHARE CERTIFICATES

2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act.*

2.3 Shareholder Entitled to Certificate or Acknowledgment

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit

(1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and

(2) issue a replacement share certificate or acknowledgment, as the case may be.

2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

(1) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and

(2) any indemnity the directors consider adequate.

2.7 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.8 Certificate Fee

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any, and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

2.9 Recognition of Trusts

Except as required by !aw or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in anyway to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share. or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

3. ISSUE OF SHARES

3.1 Directors Authorized

Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the company; the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share,

3.2 Commissions and Discounts

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.·

3.3 Brokerage

The Company may pay such brokerage fee or other .consideration as may be lawful for or in connection with the sale or placement of its securities.

3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

(1) consideration is provided to the Company for the issue of the share by one or more of the following:

(a) past services. performed for the company;

(b) property;

(c) money; and

(d) the value of the consideration received by the Company equals or exceeds the issue; price set for the share under Article 3.1.

3.5 Share Purchase Warrants and Rights

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, option's and rights may be issued alone or in conjunction with debentures, debenture stock, bond; shares or any other securities issued or created by the: C:ompany from time to time.

4. SHARE REGISTERS

4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act* appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its

shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

4.2 Closing Register

The Company must not at any time close its central securities register.

5. SHARE TRANSFERS

5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless:

(1) a duly signed instrument of transfer in respect of the share has been received by the Company;

(2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and

(3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred that acknowledgment has been surrendered to the Company.

5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates in any other form that may be approved by the directors from time to time;

5.3 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney; signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

(1) in the name of the person named a transferee in that instrument of transfer, or

(2) if no person is named as transferee in that instrument of transfer; in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.5 Enquiry as to Title Not Required

Neither the Company nor any director; officer or agent of the Company is bound to Inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose. of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any

share certificate representing such shares or of any written acknowledgment of aright to obtain a share certificate for such shares.

5.6 Transfer Fee

There must be paid to the Company Transfer Agent, in relation to the registration of any transfer, the amount, if any, determined by the Transfer Agent.

6. TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death

In case of the death of a shareholder, the legal personal representative or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by he Company as having any title to the shareholders interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

6.2 Rights of legal Personal Representative

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

7. PURCHASE OF SHARES

7.1 Company Authorized to Purchase Shares

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may1 if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

7.2 Purchase When Insolvent

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(1) the Company is insolvent; or

(2) making the payment or providing the consideration would render the Company insolvent.

7.3 Sale and Voting of Purchased Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(1) is not entitled to vote the share at a meeting of ifs shareholders;

(2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

8. BORROWING POWERS

The Company, if authorized by the directors, may:

(1) borrow money in the manner and amount, on the security, from the sources arid on the terms and conditions that they consider appropriate;

(2) issue bonds; debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

(3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

9. ALTERATIONS

9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the *Business Corporations Act*, the Company may by a majority vote of the Board of Directors:

(1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any. class or series of shares for which no maximum is established;

(3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;

(4) if the Company is authorized to issue shares of a class of shares with par value:

   (a) decrease the par value of those shares; or

   (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(6) alter the identifying name of any of its shares; or

(7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

9.2 Special Rights and Restrictions

Subject to the *Business Corporations Act*, the Company may by majority vote of the Board of Directors:

(1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

9.3 Change of Name

The Company may by directors' resolution authorize an alteration of its Notice of Articles in order to change its name.

9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by directors' resolution alter these Articles.

10. MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to. have bean held on the date of the unanimous resolution. The shareholders must; in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Calling of Meetings of Shareholders

The director may, whenever they think fit, call a meeting of shareholders.

10.4 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting and to each director of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

10.5 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders· entitled to notice of any meeting of shareholders. The record date must not precede the date on Which the meeting

is to be held by more than two months· or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months, The record date must not precede the date on which the meeting is held by fewer than:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.6 Record Date for Voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.7 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

10.8 Notice of Special Business at Meetings of Shareholders

If a meeting of shareholders is to consider special business within the meaning of Article 11.1 or 11.2, the notice of meeting must:

(1) state the general nature of the special business; and

(2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

   (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

   (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

10.9 Location of Meetings of Shareholders

Meetings of shareholders may be held at any location within Canada, or at any location outside of Canada if authorized by directors' resolution.

11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business

At a meeting of shareholders, the following business is special business:

(1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;

(2) at an annual general meeting, all business is special business except for the following:

(a) business relating to the conduct of or voting at the meeting;

(b) consideration of any financial statements of the Company presented to the meeting;

(c) consideration of any reports of the directors or auditor;

(d) the setting or changing of the number of directors;

(e) the election or appointment of directors;

(f) the appointment of an auditor;

(g) the setting of the remuneration of an auditor;

(h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;

(i) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Special Business Public Company

If and for so long as the Company is a public company, Article 11.1 does not apply and any business presented to a general meeting of shareholders, is special business if a special resolution is being submitted to shareholders to approve such business.

11.3 Special Majority

The majority of votes required far the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

11.4 Quorum

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

11.5 One Shareholder May Constitute Quorum

If there is only one shareholder entitled to vote at a meeting of shareholders:

(1) the quorum is one person who is, or who represents by proxy, that shareholder, and

(2) that shareholder, present in person or by proxy, may constitute the meeting.

11.6 Other Persons May Attend

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to

attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

11.7 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.8 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.9 Lack of Quorum at Succeeding Meeting

lf, at the meeting to which the meeting referred.to in Article 11.8(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

11.10 Chair

The following individuals entitled to preside as chair at a meeting of shareholders:

(1) the chair of the board, if any; or

(2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president or chief executive officer, if any.

11.11 Selection of Alternate Chair

If, at any meeting of shareholders, there is no Chair of the board or president or chief executive officer present within 15 minutes after the time set for holding the meeting; or if the chair and the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the Chair or fair to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose .any person present at the meeting to chair the meeting,

11.12 Adjournment

The chair of a meeting; of shareholders may, and if so directed by the meeting must adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the. business left unfinished at the meeting from which the adjournment took place.

11.13 Notice of Adjourned Meeting·

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of ·shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

11.14 Decisions by Show of Hands or Poll

Subject to the *Business Corporations Act,* every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

11.15 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.14, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

11.16 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need he seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

11.17 Casting Vote

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

11.18 Manner of Taking Poll

Subject to Article 11.19, if a poll is duly demanded at a meeting of shareholders:

(1) the poll must be taken:

(a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(b) in the manner, at the time and at the place that the chair of the meeting directs;

(2) the result of the poll is deemed to be the decision of the meeting at which the polls demanded; and

(3) the demand for the poll may be withdrawn by the person who demanded it.

11.19 Demand for Poll on Adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

11.20 Chair Must Resolve Dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

11.21 Casting of Votes

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

11.22 Demand for Poll

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

11.23 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

11.24 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during hat period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to a vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

12. VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shared

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote or the matter has one vote; and

(2) on a poll, every shareholder entitled to vote on the matter as one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting; if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal· representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

(1) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(2) if more than one of the joint shareholders is present at any meeting; personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

12.5 Representative of a Corporate Shareholder

If a corporation that is not a subsidiary of the Company is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(1) or that purpose, the instrument appointing a representative must:

(a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;

(2) if a representative is appointed under this Article 12.5:

(a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and.is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.6 Proxy Provisions Do Not Apply to All Companies

Article 12.9 will not apply to the Company if and for so long as it is a public company.

12.7 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

12.8 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.9 When Proxy Holder Need Not be Shareholder

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

(1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;

(2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meting; or

(3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

12.10 Deposit of Proxy

A proxy for a meeting of shareholders must:

(1) be received at the registered office of the Company or at any other place specified in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(2) unless the notice provides otherwise, be provided at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation :of the proxy or the revocation of the authority under which the proxy is give, unless notice in writing of that death, in capacity or revocation is received:

(1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) by the chair of the meeting, before the vote is taken.

12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

name of company

(the "**Company**")

The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, [name], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [month, day, year] and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy if given in respect of all shares registered in the name of the shareholder): _____

Signed [month, day, year]

_____

[Signature of shareholder]

_____

[Name of shareholder-printed]

_____

12.13 Revocation of Proxy

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is:

(1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) provided, at the meeting, to the chair of the meeting.

12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.13 must be signed as follows:

(1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

12.15 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the ·authority to vote.

13. DIRECTORS

13.1 Number of Directors

The number of directors, excluding additional directors appointed under Article 14.8, is set at:

(1) if the Company is a public company, the greater of three and the most recently set of:

  (a) the number of directors set by ordinary resolution at a shareholders meeting (whether or not previous notice of the resolution was given); and

  (b) the number of directors set under Article 14.4 and subject to Article 14.8;

(2) if the Company is not a public company, the most recently set of:

(a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Article 14.4.

13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(1)(a) or 13.1(1)(b):

(a) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(b) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

13.5 Remuneration of Directors

The directors are entitled to remuneration for acting as directors, if any, as the directors may from time to time determine. The directors may determine the remuneration of any officers of the Company by majority vote, and may delegate that power to the Chief Executive Officer of the Company, who may appoint a remuneration committee of which the Chief Executive Officer is the chair.

13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

14. ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

(1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

(2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph 14.1(1) but are eligible for re-election or re-appointment.

14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

(1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*; or

(2) that individual is elected or appointed at a meeting and the individual does not refuse, at the meeting, to be a director.

14.3 Failure to Elect or Appoint Directors

If:

(1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporation Act*, or

(2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(3) the date in which his or her successor is elected or appointed; and

(4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

14.4 Places of Retiring Directors Not Filled

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, these retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in Office.

14.5 Directors May Fill Casual Vacancies

Any casual vacancy occurring in the board of directors may be filled by the directors.

14.6 Remaining Directors Power to Act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act,* for any other purpose.

14.7 Shareholders May Fill Vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors,

14.8 Additional Directors

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2 the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold .office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re- appointment.

14.9 Ceasing to be a Director

A director ceases to be a director when:

(1) the term of office of the director expires;

(2) the director dies;

(3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or

(4) the director is removed from office pursuant to Articles 14.10 or 14.11.

14.10 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by ordinary resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.11 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

15. ALTERNATE DIRECTORS

15.1 Appointment of Alternate Director

The directors' may determine to approve an appointee as an alternate director to an existing director in their sole discretion.

15.2 Notice of Meetings

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointer is a member and to attend and vote as a director at any such meetings at which his or her appointer is not present.

15.3 Alternate for More Than One Director Attending Meetings

If a person has been accepted as an alternate director by the directors, then an alternate director:

(1) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;

(2) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;

(3) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointers who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity;

(4) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

15.4 Consent Resolutions

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointer any resolutions to be consented to in writing.

15.5 Alternate Director Not an Agent

Every alternate director is deemed not to be the agent of his or her appointer.

15.6 Revocation of Appointment of Alternate Director

An appointer may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

15.7 Ceasing to be an Alternate Director

The appointment of an alternate director ceases when:

(1) his or her appointer ceases to be a director and is not promptly re-elected or re-appointed;

(2) the alternate director dies;

(3) the alternate director resigns as an alternate director by notice in writing provided to the Company or a lawyer for the Company;

(4) the alternate director ceases to be qualified to act as a director; or

(5) his or her appointer revokes the appointment of the alternate director.

15.8 Remuneration and Expenses of Alternate Director

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appoint or may from time to time direct

16. POWERS AND DUTIES OF DIRECTORS

16.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

16.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit Any such attorney may be authorized.by the directors to sub-delegate all or any of the powers; authorities and discretions for the time being vested in him or her.

16.3 Setting the Remuneration of Auditors

The directors may from time to time set the remuneration of the .auditors of the Company.

17. DISCLOSURE OF INTEREST OF DIRECTORS

17.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company of any profit that accrues to the director or senior officer Under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act.*

17.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

17.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting or directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

17.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

17.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

17.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

17.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

17.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

18. PROCEEDINGS OF DIRECTORS

18.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

18.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and. in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

18.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

(1) the chair of the board, if any;

(2) in the absence of the chair of the board, the president or chief executive officer, if any, if the president or chief executive officer is a director; or

(3) any other director chosen by the directors if:

(a) neither the chair of the board nor the president or chief executive officer, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

(b) neither the chair of the board nor the president or chief executive officer, if a director, is willing to chair the meeting; or

(c) the chair of the board and the president or chief executive officer, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

18.4 Meetings by Telephone or Other Communications Medium

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if ail directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if an directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

18.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

18.6 Notice of Meetings

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Article 24.1 or orally or by telephone.

18.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

(1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(2) the director or alternate director, as the case may be, has waived notice of the meeting.

18.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

18.9 Waiver of Notice of Meetings

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director.

18.10 Quorum

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at two directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

18.11 Validity of Acts Where Appointment Defective

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

18.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors consented to in writing by an of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective. on the date stated in the resolution or on the latest date stated on any counterpart A resolution of the directors or of any committee of the directors passed in accordance with this Article 18.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

19. EXECUTIVE AND OTHER COMMITTEES

19.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(1) the power to fill vacancies in the board of directors;

(2) the power to remove a director;

(3) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

19.2 Appointment and Powers of Other Committees

The directors may, by resolution:

(1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) the power to appoint or remove officers appointed by the directors; and

(3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

19.3 Obligations of Committees

Any committee appointed under Articles 19.1 or 19.2, in the exercise of the powers delegated to it, must

(1) conform to any rules that may from time to time be imposed on it by the directors; and

(2) report every act or thing done in exercise of those powers at such times as the directors may require.

19.4 Powers of Board

The directors may, at any time, with respect to a committee appointed under Articles 19.1 or 19.2:

(1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(2) terminate the appointment of, or change the membership of, the committee; and

(3) fill vacancies in the committee.

19.5 Committee Meetings

Subject to Article 19.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 19.1 or 19.2:

(1) the committee may meet and adjourn as it thinks proper;

(2) the committee may elect a chair of its meetings but; if no chair of a meeting is elected, or if at a meeting the chair of the meting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to Chair the meeting; ·

(3) a majority of the members of the committee constitutes a quorum of the committee; and

(4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

20. OFFICERS

20.1 Directors May Appoint Officers

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

20.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

(1) determine the functions and duties of the officer;

(2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

20.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance With the *Business Corporations Act* One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director or chief executive officer must be a director. Any other officer need not be a director.

20.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission; participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

21. INDEMNIFICATION

21.1 Definitions

In this Article 21:

(1) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(2) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an “**eligible party**”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:

(a) is or may be joined as a party; or

(b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(3) "expenses" has the meaning set out in the *Business Corporations Act*; and

(4) "senior officer" has the meaning set out in the *Business Corporations Act*.

21.2 Mandatory indemnification of Directors and Former Directors

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director, senior officer, former senior officer or alternate director of the Company and his or her heirs and legal personal representatives (each, an "**indemnitee**") against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each indemnitee is deemed to have contracted with the Company on the terms of the indemnity contained in these Articles 21.2 and 21.3.

21.3 Mandatory Advancement of Expenses

The Company must pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an indemnitee in respect of that proceeding but the Company must first receive from the indemnitee a written undertaking that, If it is ultimately determined that the payment of expenses is prohibited by the *Business Corporations Act*, the indemnitee will repay the amounts advanced.

21.4 Indemnification of Other Persons

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

21.5 Non-Compliance with *Business Corporations Act*

The failure of a director, alternate director or senior officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

21.6 Company May Purchase Insurance

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(1) is or was a director, alternate director, senior officer, employee or agent of the Company;

(2) is or was a director, alternate director, senior officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;

(3) at the request of the Company, is or was a director, alternate director, senior officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;

(4) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or senior officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, senior officer, employee or agent or person who holds or held such equivalent position.

22. DIVIDENDS

22.1 Payment of Dividends Subject to Special Rights

The provisions of this Article 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

22.2 Declaration of Dividends

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

22.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Article 22.2.

22.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

22.5 Manner of Paying Dividend

A directors' resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

22.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Article 22.5, the directors may settle the difficulty, as they deem advisable, and, in particular, may:

(1) set the value for distribution of specific assets;

(2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order adjust the rights of all parties; and

(3) vest any such specific assets in trustees for the persons entitled to the dividend.

22.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

22.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares most be declared and paid according to the number of such shares held.

22.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

22.10 Dividend Bears No Interest

No dividend bears interest against the Company.

22.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

22.12 Payment of Dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, tot he address of the joint shareholder who is first named on the central .securities register,. or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

22.13 Capitalization of Surplus

Notwithstanding anything contained in these Articles, the director may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

23. DOCUMENTS, RECORDS AND REPORTS

23.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

23.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

24. NOTICES

24.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the delivery address of the intended recipient;

(3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(5) physical delivery to the intended recipient.

24.2 Deemed Receipt of Mailing

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

24.3 Certificate of Sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 24.1, prepaid and mailed or otherwise sent as permitted by Article 24.1 is conclusive evidence of that fact.

24.4 Notice to Joint Shareholders

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the. joint shareholder first named in the central securities register in respect of the share.

24.5 Notice to Trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(1) mailing the record, addressed to them:

(a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(2) if an address referred to in paragraph 24.5(1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

25. SEAL

25.1 Who May Attest Seal

Except as provided in Articles 25.2 and 25.3, the Company may create a seal, and the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

(1) any two directors;

(2) any officer, together with any director;

(3) if the Company only has one director, that director; or

(4) any one or more directors or officers or persons as may be determined by the directors.

25.2 Sealing Copies

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 25.1, the impression of the seal may be attested by the signature of any director or officer.

25.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time, To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all. purposes deemed to be under and to bear the seal impressed on them.

26. SPECIAL RIGHTS AND RESTRICTIONS ATTACHED TO SHARES

26.1 Common Shares

The special rights and restrictions attached to the Common shares are as follows:

(1) Each holder of a Common share shall be entitled to receive notice of and to attend an meetings of shareholders of the Company, except meetings at which only holders of other Classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each Common share held by such holder.

(2) The holders of Common shares shall be entitled to receive dividends if and when declared by the directors.

(3) In the event of any liquidation, dissolution or winding-up of the Company or other distribution of the assets of the company among its shareholders for the purpose of winding-up its affairs, the holders of Common shares shall be entitled, subject to the rights of the holders of shares of any class ranking prior to the Common shares, to receive the remaining property or assets of the Company.

26.2 Preferred Shares

The directors may create different series of preferred shares with different rights and restrictions as determined by the directors.

(1) Unless the directors otherwise determine in the Articles designating a series, the holder of each share of a series of Preferred Shares shall be entitled to one vote at a meeting of shareholders.

(2) The Preferred shares may from time to time be issued in one or more series and subject to the following provisions, the directors may fix from time to time before such issuance the number of shares thalis to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred shares, including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and / or conversion prices-and terms and conditions of redemption, purchase and / or conversion, and any sinking fund or other provisions.

(3) The Preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, rank on a parity with the Preferred shares of every other series and be entitled to preference over the Common shares and over any other shares of the Company ranking Junior to the Preferred shares. The Preferred shares of any series may also be given such other preferences, not inconsistent with these Articles, over the Preferred shares and any other shares of the Company ranking junior to the Preferred shares as provided herein

(4) If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred shares are not paid in full, all series of Preferred' shares so all participate rateably in respect of such dividends and return of capital.

(5) The Preferred shares of any series may be made convertible into Preferred shares of any other series or Common shares at such rate and upon such basis as the directors may determine.

26.3 Series A Preferred Shares

The first series of Special Shares shall be designated as the Series A Preferred Shares and shall have attached thereto, in addition to the rights, privileges, restrictions, conditions and limitations attaching to the Preferred Shares as a class, the following rights. privileges, restrictions and conditions (the “Series A Provisions”):

(1) GENERAL

1.1 Definitions

Where used in these Series A Provisions, the following words and phrases shall, unless there is something in the context otherwise inconsistent therewith, have the following meanings, respectively:

(a) “business day” means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Canada in which the Company’s registered office is then situated;

(b) “CNSX” means the Canadian National Stock Exchange;

(c) “Common Shares”“ means the common shares in the capital of the Company as currently constituted, or as such shares may be changed from time to time,

provided that any adjustment in the Conversion Rate required by clause 26.33.2 hereof has been made;

(d) "Conversion Rate" at any time means the number of Common Shares into which one Series A Preferred Share may be converted at such time in accordance with the provisions of paragraph ((3));

(e) "Current Market Price" means, in respect of the Common Shares on any applicable date, except a otherwise provided, an amount in Canadian dollars equal to the average of the ten days closing market price of the . Common Shares on the CNSX on the trading day immediately prior to such date or, if the Common Shares are not listed on the CNSX, on another stock exchange, provided that if the Common Shares are listed on more than one stock exchange, the Current Market Price shall be calculated on the stock exchange on which the volume of transactions in the Common Shares is the largest on such trading day, or if the Common Shares are not listed on any stock exchange, then on the over-the-counter market;

(f) "herein", "hereto", "hereunder"", "hereof" , "hereby" and similar expressions mean or refer to these Series A Provisions and not to any particular Article, paragraph, clause, subclause, subdivision or portion hereof, and the expressions "Article", "paragraph", "clause" and "subclause" followed by a number or a letter mean and refer to the specified Article, paragraph, clause or subclause hereof;

(g) "Liquidation Distribution" means the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs;

(h) "Original Issue Price" means $0.10;

(i) "ranking as to capital" means ranking or priority with respect to the distribution of assets in the event of a Liquidation Distribution;

(j) "Series A Holder"·means a person recorded on the securities register of the Company as being the registered holder of one or more Series A Preferred Shares;

(k) "trading day" means with respect to a stock exchange, market or over-the-counter market means a day on which such stock exchange or over-the-counter market is open for business; and

(l) "transfer agent" means the transfer agent appointed by the Company for the Series A Preferred Shares and, in the event that no such person is appointed, "transfer agent" means the Company.

1.2 Gender, etc.

Words importing only the singular number include the plural and vice versa and words importing any gender include all genders.

1.3 Currency

All monetary amounts referred to herein shall be in lawful money of Canada.

1.4 Headings

The division of these Series A Provisions into Articles, paragraphs, clauses, subclauses or ether subdivisions and the insertions of beadings are for convenience of reference only and shall not affect the construction or interpretation hereof.

1.5 Business Day

In the event that any date upon which any dividends on the Series A Preferred Shares are payable by the Company, or upon or by which any other action is required to be taken by the Company or any Series A Holder hereunder, is not a business day, then such dividend shall be payable or such other action shall be required to be taken on or by the next succeeding day which is a business day.

(2) DIVIDENDS

2.1 Declaration and Payment of Dividends

The Series A Holders shall, prior and in preference to any declaration or payment of any dividends to the holders of any other shares of the Company, receive a dividend in the amount of five percent (5%) of the Original Issue Price per fiscal year per share. payable in Common Shares at the Current Market Price on the payment date. Such dividends shall be cumulative and the right to such dividends shall accrue to the holders of Series A Preferred Shares. Any accumulation of dividends on Series A Preferred Shares shall not bear interest. Such dividends shall accrue from and including the date of issue of Series A Preferred Shares and, subject as hereinafter provided, shall be payable on the 1st day of January in each year (each of which date is hereinafter referred to as a “dividend payment date”). The first dividend payment date shall be January 1, 2014.

2.2 Amount of Dividend

The amount of the dividend for any period which is less than a full calendar year with respect to any Series A Preferred Share which is issued or purchased shal1 be equal to the amount calculated by multiplying (i) (5%) of the Original Issue Price by (ii) a fraction the numerator of which is the number of days in such calendar year for which such share has been outstanding (including the dividend payment date at the beginning of such calendar year if such share was outstanding on that date), and the denominator of which is the number of days in such calendar year (including the dividend payment date at the beginning thereof and excluding the next succeeding dividend payment date).

2.3 Cumulative Dividends

If on any dividend payment date a dividend accrued to and payable on such date is not paid in full on the Series A Preferred Shares then issued and outstanding, the dividend or the unpaid part thereof shall be paid on a subsequent dividend payment date or dividend payment dates determined by the board of directors of the Company. The Series A Holders shall not be entitled to any dividends other than or in excess of the fixed preferential cumulative dividends provided for in this paragraph ((2)).

2.4 Method of Payment

Any dividends declared on the Series A Preferred Shares shall be paid on the applicable payment date therefor, as determined by the Company by the Company issuing to each Series A Holder the applicable number of Common Shares as provided for herein, in each case, registered in the name of the registered Series A Holder and, as soon as practicable, the Company shall deliver to the Series A Holder at such Series A Holder’s address as it appears on the books of the Company a certificate or certificates for such Common Shares. The Company shall be entitled to deduct from any such dividend payment, a number of Common Shares with a Market Value equal to the amount of any tax or other amounts required to be deducted or withheld by the Company.

(3) CONVERSION

3.1 Automatic Conversion

At such time as the board of directors of the Company may direct, in its sole discretion, each Series A Preferred Share shall be automatically converted into such number of Common Shares equal to the quotient of (i) the Original Issue Price divided by (ii) the Current Market Price on the date of conversion (the "Automatic Conversion Date"). Upon any such direction, the Series A Preferred Shares shall be converted automatically without any further action by the Series A Holders and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent; provided however, that all holders of Series A Preferred Shares being converted shall be given written notice of such automatic conversion including the date such event occurred, and the Company shall not be obligated to issue certificates evidencing the Common Shares issuable upon such conversion unless certificates evidencing such Series A Preferred Shares being convened are either delivered to the Company or its transfer agent, or the Series A Holder notifies the Company or any transfer agent that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any costs incurred by it in connection therewith and, if the Company so elects, provides an appropriate indemnity bond and the holder of the Common Shares. On the Automatic Conversion Date, all rights with respect to the Series A Preferred Shares so converted shall terminate except for any of the rights of the holder thereof upon surrender of the Series A Holder's certificate or certificates therefor to receive certificates for the number of Common Shares into which such Series A Preferred Shares have been convened. Upon the automatic conversion of the Series A Preferred Shares, the Series A Holder shall surrender the certificates representing such shares at the office of the Company or of its transfer agent. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or by the holder's attorney duly authorized in writing. Upon surrender of such certificates, the Company shall promptly issue and deliver to such Series A Holder registered in such holder's name as shown on such surrendered certificate or certificates a certificate or certificates for the number of Common Shares into which the Series A Preferred Shares surrendered were convertible on the Automatic Conversion Date. Upon the automatic conversion of the Series A Preferred Shares, all declared or accrued and unpaid dividends on the Series A Preferred Shares shall be paid in the manner specified in clause 2.4.

3.2 Adjustment of Conversion Rate

If and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into (i) greater number of Common Shares. (ii) reduce, combine or consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend (other than a stock dividend paid in the ordinary course) (any of such events being herein called a "Common Share Reorganization"), the Conversion Rate shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Rate in effect immediately prior to such record date by the quotient obtained when:

(a) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization; and

(b) the denominator of which shall be the number of Common Shares outstanding as of the record date after giving effect to such Common Shares Reorganization.

3.3 Entitlement to Dividends

Each Series A Holder on the record date for any dividend declared payable on the Series A Preferred Shares shall be entitled to such dividend notwithstanding that any Series A Preferred Share owned by him is converted after such record date and before the payment date of such dividend. The registered

holder of any Common Share resulting from any conversion effected pursuant to this paragraph ((3)) shall be entitled to rank equally with the registered holders of all other Class A convertible in respect of all dividends declared payable to holders of Common Shares of record on or after the date of conversion.

3.4 Fractional Shares

No fractional Common Shares shall be issued with respect to the payment of any dividend or upon- the conversion of any Series A Preferred· Share. All Common Shares (including fractions thereof) issuable with respect to the payment of any dividend or upon the conversion of any Series A Preferred Shares shall be aggregated for purposes of determining whether the dividend payment or conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the dividend payment or conversion, as the case may be, would result in the issuance of a fraction of a Common Share, the number of Common Shares issuable with respect to such payment or upon such conversion shall be rounded down to the nearest whole number of Common Shares and the Company shall have no obligation to make any further payment with respect to such payment or conversion, or otherwise compensate the Series A Holder in any manner with respect to such fractional Common Shares.

3.5 Reservation of Common Shares

So long as any of the Series A Preferred Shares are outstanding, the Company will:

(a) At all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable (i) the payment of dividends as provided in paragraph ((2)), and (ii) all of the Series A Preferred Shares outstanding to be converted upon the basis and upon the terms and conditions herein provided in this paragraph ((3)); provided that nothing contained in this clause 3.5(a) shall affect or restrict the right of the Company to issue Common Shares from time to time; and

(b) Use its best efforts to have the Common Shares issued upon the payment of dividends or the conversion of Series A Preferred Shares listed and posted for trading on each stock exchange on which the Series A Preferred Shares are then listed and posted for trading.

(4) LIQUIDATION, DISSOLUTION OR WINDING-UP

In the event of any Liquidation Distribution. each Series A Holder shall be entitled to receive before any amount shall be paid by the Company or any assets of the Company shall be distributed to registered holders of shares ranking as to capital junior to the Series A Preferred Shares in connection with the Liquidation Distribution, an amount equal to the stated capital per share of all Series A Preferred Shares held by such holder, together with an amount equal to all accrued but unpaid cumulative dividends thereon After payment to the Series A Holders of the amount so payable to them, they shall not be entitled to share in any further distribution of assets of the Company.

(5) VOTING RIGHTS

The holders of the Series A Preferred Shares shall not be entitled, as such to receive notice of or attend or vote at any meeting of shareholders of the Company other than a meeting of Series A Holders.

(6) NOTICES

Any notice required or permitted to be given to any Series A Holder shall be sent by mail, postage prepaid, or delivered to such holder at his address as it appears on the records of the Company or,. In the event of the address of any such shareholder not so appearing, to the last known address of such shareholder. The accidental failure to give notice to one or more shareholder, shall not affect the validity of any action requiring the giving of notice by the Company. Any notice given as aforesaid shall be deemed to be given on the date upon which it is mailed or delivered.

26.4 Series B Preferred Shares

The series of Special Shares shall be designated as the Series B Preferred Shares and shall have attached thereto, in addition to the rights, privileges, restrictions; conditions and limitations attaching to the Special Shares as a class, the following rights, privileges, restrictions and conditions (the "Series B Provisions"):

(1) GENERAL

1.1 Definitions

Where used in these Series B Provisions, the following words and phrases shall, unless there is something in the context otherwise inconsistent therewith, have the following meanings, respectively:

(a) "business day" means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Canada in which the Company's registered office is then situated;

(b) "CNSX" means the Canadian National Stock Exchange;

(c) "Common Shares" means the common shares in the capital of the Company as currently constituted, or as such shares may be changed from time to time, provided that any adjustment in the Conversion Rate required by clause 3.2 hereof has been made;

(d) "Conversion Rate" at any time means the number of Common Shares into which one Series B Preferred Share may be converted at such time in accordance with the provisions of paragraph ((3));

(e) "Current Market Price" means, in respect of the Common Shares on any applicable date, except as otherwise provided, an amount in Canadian dollars equal to the 10 day volume weighted average closing price of the Common Shares on the CNSX for the 10 trading days immediately prior to such date or, if the Common Shares are not listed on the CNSX, on another stock exchange, provided that if the Common Shares are listed on more than one stock exchange, the Current Market Price shall be calculated on the stock exchange on which the volume of transactions in the Common Shares is the largest on such trading days, or if the Common Shares are not listed on arty stock exchange, then the Original Issue Price;

(f) "herein", "hereto", ""hereunder", "hereof" "hereby" and similar expressions mean or refer to these Series. B Provisions and not to any particular Article, paragraph, clause, subclause, subdivision or portion hereof, and the expressions "Article", "paragraph", "clause" and "subclause"" followed by a number or a letter mean and refer to the specified Article, paragraph, clause or subclause hereof;

(g) "Liquidation Distribution" means the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs;

(h) "Original Issue Price" means $0.10;

(i) "ranking as to capital" means ranking or priority with respect to the distribution of assets in the event of a Liquidation Distribution;

(j) "Series B Holder" means a person recorded on the securities register of the Company as being the registered holder of one or more Series B Preferred Shares;

(k) "trading day" means with respect to a stock exchange, market or over-the-counter market means a day on which such stock exchange or over-the-counter market is open for business; and

(l) "transfer agent" means the transfer agent appointed by the Company for the Series B Preferred Shares and, in the event that no such person is appointed, "transfer agent" means the Company.

1.2 Gender, etc.

Words importing only the singular number include the plural and vice versa and words importing any gender include all genders.

1.3 Currency

All monetary amounts referred to herein shall be in lawful money of Canada.

1.4 Headings

The division of these Series B Provisions into Articles, paragraphs, clauses, subclauses or other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

1.5 Business Day

In the event that any date upon which any dividends on the Series B Preferred Shares are payable by the Company, or upon or by which any other action is required to be taken by the Company or any Series B Holder hereunder, is not a business day, then such dividend shall be payable or such other action shall be required to be taken on or by the next succeeding day which is a business day.

(2) DIVIDENDS

2.1 Declaration and Payment of Dividends

The Series B Holders shall, prior and in preference to any declaration or payment of any dividends to the holders of any other shares of the Company, receive a dividend in the amount of five percent (5%) of the Original Issue Price per fiscal year per share, payable in Common Shares at the Current Market Price on the payment date. Such dividends shall be cumulative and the right to such dividends shall accrue to the holders of Series B Preferred Shares. Any accumulation of dividends on Series B Preferred Shares shall bear interest at a rate of 5% per annum. Such dividends shall accrue from and including the date of issue of Series B Preferred Shares and, subject as hereinafter provided, shall be payable on the 1st day of January in each year (each of which date is hereinafter referred to as a "dividend payment date"). The first dividend payment date shall be January 1, 2014.

2.2 Amount of Dividend

The amount of the dividend for any period which is less than a full calendar year with respect to any Series B Preferred Share which is issued or purchased shall be equal to the amount calculated by multiplying (i) (5%) of the Original Issue Price by (ii) a fraction the numerator of which is the number of days in such calendar year for which such share has been outstanding (including the dividend payment date at the beginning of such calendar year if such share was outstanding on that date), and the

denominator of which is the number of days in such calendar year (including the dividend payment date at the beginning thereof and excluding the next succeeding dividend payment date).

2.3 Cumulative Dividends

If on any dividend payment date a dividend accrued to and payable on such date is not paid in full on the Series B Preferred Shares then issued and outstanding, the dividend or the unpaid part thereof shall be paid on a subsequent dividend payment date or dividend payment dates determined by the board of directors of the Company. The Series B Holders shall not be entitled to any dividends other than or in excess of the fixed preferential cumulative dividends provided for in this paragraph ((2)). Any accumulation of dividends will accrue interest at an annual rate of 5% per annum.

2.4 Method of Payment

Any dividends declared on the Series B Preferred Shares shall be paid on the applicable payment date therefor by the Company issuing to each Series B Holder the applicable number of Common Shares as provided for herein, in each case, registered in the name of the registered Series B Holder and, as soon as practicable, the Company shall deliver to the Series B Holder at such Series B Holder's address as it appears on the books of the Company a certificate or certificates for such Common Shares. The Company shall be entitled to deduct from any such dividend payment, a number of Common Shares with a Market Value equal to the amount of any tax or other amounts required to be deducted or withheld by the Company under applicable tax legislation, if any.

(3) CONVERSION

3.1 Automatic Conversion

Provided that and so long as the Company's Common Shares are at that time trading on a recognized stock exchange, the board of directors of the Company may direct. in its sole discretion, each Series B Preferred Share shall be automatically converted into such number of Common Shares equal to the quotient of (i) the Original Issue Price, divided by (ii) the Current Market Price on the date of conversion (the Automatic Conversion Date"). Upon any such direction, the Series B Preferred Shares shall be converted automatically without any further action by the Series B Holders and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent; provided, however, that all holders of Series B Preferred Shares being converted shall be given written notice of such automatic conversion including the date such event occurred, and the Company shall not be obligated to issue certificates evidencing the Common Shares issuable upon such conversion unless certificates evidencing such Series B Preferred Shares being converted are either delivered to the Company or its transfer agent, or the Series B Holder notifies the Company or any transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith and, if the Company so elects, provides an appropriate indemnity bond and the holder of the Common Shares. On the Automatic Conversion Date, all rights with respect to the Series B Preferred Shares so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the Series B Holder's certificate or certificates therefor, to receive certificates for the number of Common Shares into which such Series B Preferred Shares have been converted. Upon the automatic conversion of the Series B Preferred Shares, the Series B Holder shall surrender the certificates representing such shares at the office of the Company or of its transfer agent. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or by the holder's attorney duly authorized in writing. Upon surrender of such certificates, the Company shall promptly issue and deliver to such Series B Holder, registered in such holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of Common Shares into which the Series B Preferred Shares surrendered were convertible on the Automatic Conversion Date. Upon the automatic conversion of .the Series B Preferred Shares, all declared or accrued and unpaid dividends on the Series B Preferred Shares shall be paid in then in the manner specified in clause 2.4.

3.2 Adjustment of Conversion Rate

If and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend (other than a stock dividend paid in the ordinary course) (any of such events being herein called a "Common Share Reorganization"), the Conversion Rate shall be adjusted effective immediately after the record date al which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Rate in effect on such record date by the quotient obtained when:

(a) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization; and

(b) the denominator of which shall be the number of Common Shares outstanding as of the record date after giving effect to such Common Shares Reorganization.

3.3 Entitlement to Dividends

Each Series B Holder on the record date for any dividend declared payable on the Series B Preferred Shares shall be entitled to such dividend notwithstanding that any Series B Preferred Share owned by him is convened ail.er such record date and before the payment date of such dividend. The registered holder of any Common Share resulting from any conversion effected pursuant to this paragraph ((3)) shall be entitled to rank equally with the registered holders of all other Series B Preferred Shares in respect of all dividends declared payable to holders of Common Shares of record on or after the date of conversion.

3.4 Fractional Shares

No fractional Common Shares shall be issued with respect to the payment of any dividend or upon the conversion of any Series B Preferred Share. All Common Shares (including fractions thereof) issuable with respect to the payment of any dividend or upon the conversion of any Series B Preferred Shares shall be aggregated for purposes of determining whether the dividend payment or conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the dividend payment or conversion, as the case may be, would result in the issuance of a fraction of a Common Share, the number of Common Shares issuable with respect to such payment or upon such conversion shall be rounded down to the net whole number of Common Shares and the Company shall have no obligation to make any further payment with respect to such payment or conversion, or otherwise compensate the Series B Holder in any manner with respect to such fractional Common Shares.

3.5 Reservation of Common Shares

So long as any of the Series B Preferred Shares are outstanding, the Company will:

(a) At all times reserve and hold out of its unissued and authorized Common Shares a sufficient number of unissued and authorized Common Shares to enable (i) the payment of dividends as provided in paragraph ((2)), and (ii) the conversion into Common Shares of all of the Series B Preferred Shares outstanding to be converted into Common Shares hereunder upon the basis and upon the terms and conditions herein provided in this paragraph ((3)); provided that nothing contained in this clause 3.5 shall affect or restrict the right of the Company to issue Common Shares from time to time; and

(b) Use its best efforts to have the Common Shares issued upon the payment of dividends or the conversion of Series B Preferred Shares listed and posted for

trading on each stock exchange on which the Series B Preferred Shares are then listed and posted for trading.

(4) LIQUIDATION, DISSOLUTION OR WINDINGUP

In the event of any Liquidation Distribution, each holder will be entitled to receive, before any amount shall be paid or any assets distributed to registered holders of the Common Shares, Series A Preferred Shares or any other shares ranking junior to the Series B Preferred, an amount equal to the Original Issue Price per share of all Series B Preferred Shares held by such holder, together with an amount equal to all accrued but unpaid cumulative dividends and interest thereon.

(5) VOTING RIGHTS

The holders of the Series B Preferred Shares shall not be entitled, as such, to receive notice of or attend or vote at any meeting of shareholders of the Company other than a meeting of Series B Holders.

(6) NOTICES

Any notice required or permitted to be given to any Series B Holder shall be sent by mail, postage prepaid, or delivered to such holder at his address as it appears on the records of the Company or, in the event of the address of any such shareholder not so appearing, to the last known address of such shareholder. The accidental failure to give notice to one or more of such shareholders shall not affect the validity of any action requiring the giving of notice by the Company. Any notice given as aforesaid shall be deemed to be given on the date upon which it is mailed or delivered.

26.5 Series C Preferred Shares

The special rights and restrictions attached to the Series C Preferred shares are as follows:

(1) VOTING

Subject to the provisions of the *Business Corporations Act* (British Columbia), the holders of the Series C Preferred Shares shall, as holders of the Series C Preferred shares, have a right to vote at a general meeting of the Company, and shall be entitled to notice of or to attend shareholders' meetings, including those meetings of the class of shareholders holding Preferred Shares or meetings of the series of shareholders holding Series C Preferred shares.

(2) DEFINITIONS

Where used in this Article 26.5, the following words and phrases shall, unless there is something in the context otherwise inconsistent therewith, have the following meanings:

(a) "business day" means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Canada in which the Company's Registered Office is then situated:

(b) "CNSX" means the Canadian National Stock Exchange;

(c) "Conversion Rate" at any time means the number of Common shares into which one Series A Preferred share may be converted at such time in accordance with the provisions of paragraph ((4));

(d) "Current Market Price" means, in respect of the Common shares on any applicable date, except as otherwise provided, an amount in Canadian dollars equal to the average of the 10 days closing market price of the Common shares on the CNSX on the trading day immediately prior to such date or, if the Common

shares are not listed on the CNSX, on another stock exchange, provided that if the Common shares are listed on more than one stock exchange, the Current Market Price shall be calculated on the stock exchange on which the volume of transactions in the Common Shares is the largest on such trading day, or if the Common shares are not listed on any stock exchange, then on the over-the-counter market;

(e) "Liquidation Distribution" means the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up in affairs;

(f) "Original Issue Price" means $0.12;

(g) "ranking as to capital" means ranking or priority with respect to the distribution of assets in the event of a Liquidation Distribution;

(h) "Series C Holder" means a person recorded on the securities register of the Company as being the registered holder of one or more Series A Preferred shares;

(i) "trading day" means with respect to a stock exchange, market or over-the-counter market means a day on which such stock exchange or over-the-counter market is open for business: and

(j) "transfer agent" means the transfer agent appointed by the Company for the Series C Preferred shares and, in the event that no such person is appointed, "transfer agent" means the Company.

(3) DIVIDENDS

(a) The Series C Holders shall, prior and in preference to any declaration or payment of any dividends to the holders of any other shares of the Company receive a dividend in the amount of five percent (5%) of the Original Issue Price per fiscal year per share, payable in Common shares at the Current Market Price on the payment date. Such dividends shall be cumulative and the right to such dividends shall accrue to the holders of Series C Preferred shares. Any accumulation of dividends on Series C Preferred shares shall not bear interest. Such dividends shall accrue from and including the date of issue of Series C Preferred shares and, subject as hereinafter provided, shall be payable on the day of January in each year (each of which date is hereinafter referred to as a "dividend payment date"). The first dividend payment date shall be January 1, 2014.

(b) The amount of the dividend for any period which is less than a full calendar year with respect to any Series C Preferred share which is issued or purchased shall be equal to the amount calculated by multiplying (I) five percent (5%) of the Original issue Price by (ii) a fraction the numerator of which is the number of days in such calendar year for which such share has been outstanding (including the dividend payment date at the beginning of such calendar year if such share was outstanding on that date), and the denominator of which is the number of days in such calendar year (including the dividend payment date at the beginning thereof and excluding the next succeeding dividend payment date).

(c) If on any dividend payment date a dividend accrued to and payable on such date is not paid in full on the Series C Preferred shares then issued and outstanding, the dividend or the unpaid part thereof shall be paid on a subsequent dividend payment date or dividend payment dates determined by the directors of the

Company. The Series C Holders shall not be entitled to any dividends other than or in excess of the fixed preferential cumulative dividends provided for in this paragraph ((3)).

(d) Any dividends declared on the Series C Preferred shares shall be paid on the applicable payment date therefor, as determined by the Company, by the Company issuing to each Series C Holder the applicable number of Common shares as provided for herein, in each case, registered in the name of the registered Series C Holder, and the directors shall avoid the issuance of fractional shares in so doing As soon its practicable, the Company shall deliver to the Series C Holder at such Series C Holder's address as it appears on the books of the Company a certificate or certificates for such Common shares. The Company shall be entitled to deduct from any such dividend payment, a number of Common shares with a Market Value equal to the amount of any tax or other amounts required to be deducted or withheld by the Company.

(4) CONVERSION

(a) At such time as the owners of the Series C Preferred Shares may direct, each Series C Preferred share shall be converted into such number of Common shares equal to the quotient of (i) the Original Issue Price, divided by (ii) the Current Market Price on the date of conversion (the "Automatic Conversion Date"), and in so doing, the directors shall use their best effects to avoid the issuance of fractional shares. Upon any such direction, the Series C Preferred shares shall be converted without any further action by the Series C Holders and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent: provided, however. that all holders of Series C Preferred shares being convened shall be given written notice of such conversion including the date such event occurred, and the Company shall not be obligated to issue certificates evidencing the Common shares issuable upon such conversion unless certificates evidencing such Series C Preferred shares being converted are either delivered to the Company or its transfer agent. or the Series C Holder notifies the Company or any transfer agent that such certificates have been lost, stolen, or destroyed and executes a statutory declaration satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith and, if the Company so elects, provides an appropriate indemnity bond and the holder of the Common shares. On the Conversion Date, all rights with respect to the Series C Preferred shares so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the Series C Holder's certificate or certificates therefor, to receive certificates for the number of Common shares into which such Series C Preferred shares have been convened. Upon the conversion of the Series C Preferred shares, the Series C Holder shall surrender the certificates representing such shares at the office of the Company or of its transfer agent. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or by the holder's attorney duly authorized in writing. Upon surrender of such certificates, the Company shall promptly issue and deliver to such Series C Holder registered in such holder's name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of Common shares into which the Series C Preferred shares surrendered were convertible on the Conversion Date. Upon the conversion of the Series C Preferred shares, all declared or accrued and unpaid dividends on the Series C Preferred shares shall be paid in the manner specified in clause ((3))(d) above.

(b) if and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common shares into a greater number of Common shares. (ii) reduce, combine or consolidate or change its then outstanding Common shares into a lesser number of Common shares, or (iii) issue Common shares of the Company to the holders of all or substantially all of its then outstanding Common shares by way of a stock dividend, other than a stock dividend paid in the ordinary course (any of such events being called a "Common Share Reorganization") the Conversion Rate shall be adjusted effective immediately after the record date at which the holders of Common shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Rate in effect on such record date by the quotient obtained when:

i) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization; and

ii) the denominator of which shall be the number of Common Shares outstanding as of the record date after giving effect to such Common Shares Reorganization.

(5) LIQUIDATION, DISSOLUTION OR WINDING UP

In the event of any Liquidation Distribution, each Series C Holder shall be entitled to receive before any amount shall be paid by the Company or any assets of the Company shall be distributed to registered holders of shares ranking junior as to capital to the Series C Preferred shares in connection with the Liquidation Distribution, an amount equal to the paid-up capital per share of all Series C Preferred shares held by such holder, together with an amount equal to all accrued but unpaid cumulative dividends thereon. Alter payment to the Series C Holders of' the amount so payable to them, they shall not be entitled to share in any further distribution of assets of the Company.

APPENDIX F

CHANGE OF AUDITOR REPORTING PACKAGE

[See Attached]

Abraham Chan LLP
Chartered Professional Accountants
300 New Toronto Street, Unit 17B
Toronto, ON M8V 2E8
Tel: 416-900-1870/1891
www.acllp.ca

February 14, 2018

British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Canadian National Stock Exchange

Dear Sirs:

Zara Resources Inc. (the "Company")
Notice Pursuant to National Instrument 51-102 – Change of Auditor ("Notice")

We acknowledge receipt of a Notice of Change of Auditor (the "Notice") dated February 13, 2018 delivered to us by the Company, in respect of the change of auditor of the Company.

Pursuant to National Instrument 51-102, please accept this letter as confirmation that we have reviewed the Notice and, based on our knowledge as at the time of receipt of the Notice, we agree with the statements set out in the Notice.

Yours truly,

Abraham Chan LLP.

ABRAHAM CHAN LLP
Chartered Professional Accountants
Licensed Public Accountants

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

VANCOUVER
1500 – 1140 W. Pender Street
Vancouver, BC V6E 4G1
TEL 604.687.4747 | FAX 604.689.2778

TRI-CITIES
700 – 2755 Lougheed Hwy.
Port Coquitlam, BC V3B 5Y9
TEL 604.941.8266 | FAX 604.941.0971

WHITE ROCK
301 – 1656 Martin Drive
White Rock, BC V4A 6E7
TEL 604.531.1154 | FAX 604.538.2613

WWW.DMCL.CA

February 13, 2018

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
9TH Floor – 701 West Georgia Street
Vancouver, B.C. V7Y 1L2

Canadian Stock Exchange
9th Floor – 220 Bay Street
Toronto, ON M5J 2W4

Alberta Securities Commission
Suite 600, 250 – 5th Street S.W.
Calgary, Alberta T2P 0R4

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Dear Sirs:

Re: Zara Resources Inc. (the "Company")
Notice Pursuant to National Instrument 51-102 - Change of Auditor

As required by the National Instrument 51-102 and in connection with our proposed engagement as auditor of the Company, we have reviewed the information contained in the Company's Notice of Change of Auditor, dated February 13, 2018 and agree with the information contained therein, based upon our knowledge of the information relating to the said notice and of the Company at this time.

Yours very truly,

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

ZARA RESOURCES INC.
(the "Company")

100 King Street West, Suite 5700, Toronto, Ontario M5X 2C7

NOTICE OF CHANGE OF AUDITORS

NATIONAL INSTRUMENT 51-102

FEBRUARY 13, 2018

British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission
Canadian National Stock Exchange

The Company has changed its auditors from Abraham Chan LLP Chartered Professional Accountants at 300 New Toronto Street, Unit 17B, Toronto, ON M8V 2E8 (the "Former Auditors"), to Dale Matheson Carr-Hilton LaBonte LLP Chartered Professional Accountants at Suite 1500 – 1140 West Pender Street, Vancouver, B.C. V6E 4G1 (the "Successor Auditors"), effective as of February 8, 2018.

The Company's Former Auditors resigned at the request of the Company and the appointment of the Successor Auditors have been considered and approved by the Company's Audit Committee and Board of Directors.

There were no reservations nor any modified opinions expressed in the Former Auditors' reports on any of the Company's financial statements relating to the period commencing at the beginning of the Company's two most recently completed financial years and ending on the date of resignation.

In the opinion of the Company's Audit Committee and Board of Directors, there are no reportable events between the Company and the Former Auditors.

Dated as of the 13th day of February, 2018

ZARA RESOURCES INC.

Per: */s/ Gaurav Singh*
Gaurav Singh, CFO