

IONIC BRANDS CORP.

ANNUAL INFORMATION FORM

For The Financial Year Ended December 31, 2018

June 25, 2019

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TERMS OF REFERENCE

In this Annual Information Form (the “AIF”), unless the context otherwise dictates, references to the “Company”, “Ionic”, “we” and “our” refer to Ionic Brands Corp.

The information contained in this AIF is current as of December 31, 2018 with subsequent events disclosed to June 24, 2019.

All references to dollars (\$) in this AIF are expressed in Canadian dollars, unless otherwise indicated.

MARKET DATA

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

The management estimates in this AIF are derived from publicly available information released by independent industry analysts and third party sources, as well as data from the Company’s internal research, and are based on assumptions made by the Company based on such data and its knowledge of such industry and markets, which the Company believes to be reasonable. The Company’s internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Company is not aware of any misstatement regarding any industry or market data included in this AIF, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company’s future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the “Risk Factors”.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This AIF contains forward-looking statements that relate to the Company’s current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company’s expectations regarding its revenue, production, operations, costs, cash flows and future growth;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- the potential size of markets for the Company’s products;
- expectations with respect to the approval, renewal and/or extension of the Company’s licenses;
- expectations with respect to the future growth of its cannabis products, including delivery mechanisms;

- the Company's investments in the United States, the characterization and consequences of those investments under federal law, and the framework for the enforcement of cannabis and cannabis related offenses in the United States;
- the grant and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- the Company's expectation that U.S. Attorney General William Barr will not go after marijuana companies that comply with state law;
- the Company's belief that it will not trigger any of the federal enforcement priorities set forth in the (now rescinded) Cole Memo (as defined below) or under chapter 9-27.000 of the U.S. Attorney's Manual;
- the Company's intention to exploit opportunities for the production, processing, distribution and sale of cannabis related products in the United States;
- the competitive conditions of the industry and the competitive and business strategies of the Company;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's plans with respect to the payment of dividends; and
- the Company's ability to obtain additional funds through the sale of equity or debt commitments.

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

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

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- there is no assurance that the Company will turn a profit or continue to generate revenues;
- the Company had negative cash flow for the financial years ended December 31, 2018 and December 31, 2017;

- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from completing certain strategic initiatives;
- the Company is subject to changes in U.S. and Canadian laws regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- the Company may not be able to develop or expand its products, which could prevent it from ever becoming profitable;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and may intensify competition;
- the Company may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company may not have sufficient cash resources or be able to secure all necessary financing in time to continue and complete its planned facilities on schedule;
- the Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;

- the Company's officers and Directors may be engaged in a range of business activities resulting in conflicts of interest;
- some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local law, are illegal under U.S. federal law;
- there is uncertainty of existing protection from U.S. federal prosecution;
- there is uncertainty surrounding the current U.S. presidential administration and their influence and policies in opposition to the cannabis industry as a whole;
- the Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed;
- the Company's business operations may come under additional scrutiny by governmental and non-governmental agencies;
- due to the classification of cannabis as a Schedule I controlled substance under the U.S. *Controlled Substances Act* ("**CSA**"), the property of the Company may be seized and the operations of the Company shut down;
- the Company's operations in the United States cannabis market may become the subject of heightened scrutiny;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- there is no assurance of success or profitability under the new legal and regulatory structure in California;
- California legislation, and the rules promulgated by the Bureau of Cannabis Control, and the other California state agencies involved in the regulation of cannabis, mandate that, no person can engage in commercial cannabis-related activity without possessing both a state license and either a local permit, license or other authorization, or otherwise being in compliance with local law;
- applicable legislation imposes state taxes on California's cannabis industry, and authorizes local jurisdictions to assess taxes and fees on such activities. There currently is no way to predict the tax regime that will apply when (and if) such legislation becomes effective;
- the Company may incur significant tax liabilities if the Internal Revenue Service ("**IRS**") continues to determine that certain expenses of cannabis businesses are not permitted to be deducted for tax purposes under section 280E of the Internal Revenue Code of 1986, as amended (the "**Tax Code**");
- state and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state;
- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- the Company is reliant on third-party suppliers, manufacturers and contractors;
- due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes;
- any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect the Company's business;
- cannabis derived cannabidiol ("**CBD**") is classified as a Schedule I controlled substance in the U.S. The Drug Enforcement Agency ("**DEA**") recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts";

- U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance;
- the Company's contracts may not be legally enforceable in the United States;
- the Company may lack access to United States bankruptcy protections;
- Canadian investors in the Common Shares and the Company's Directors, officers and employees may be subject to travel and entry bans into the United States;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- the Company is subject to uncertainty regarding legal and regulatory status and changes;
- the Company does not anticipate paying cash dividends; and
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's Common Shares.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "*Risk Factors*" should be considered carefully by readers. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF:

“**2019 CD Offering**” the meaning ascribed thereto on page 14 of this AIF;

“**AIF**” or “**Annual Information Form**” means this annual information form of the Company in respect of the year ended August 31, 2018;

“**Amalgamation Agreement**” means the agreement among the Company, 1185669 B.C. Ltd and Blacklist Finco dated December 24, 2018;

“**BCBCA**” the *Business Corporations Act* (British Columbia);

“**Blacklist**” means Blacklist Holding, Inc.;

“**Blacklist Acquisition**” the meaning ascribed thereto on page 12 of this AIF;

“**Blacklist Debentures**” the meaning ascribed thereto on page 14 of this AIF;

“**Blacklist Finco**” means Blacklist Finco Inc.;

“**Board**” or “**Directors**” means the directors of the Company as at the date of this document;

“**CBD**” means cannabidiol;

“**CD Units**” the meaning ascribed thereto on page 14 of this AIF;

“**CDS**” means the Canadian Depository for Securities Limited;

“**CDS MOUS**” has the meaning ascribed thereto on page 39;

“**Cole Memo**” has the meaning ascribed thereto on page 25;

“**Compensation Warrants**” the meaning ascribed thereto on page 15 of this AIF;

“**CSA**” U.S. *Controlled Substances Act*;

“**CSE**” means the Canadian Securities Exchange;

“**Common Shares**” means the common shares without par value in the capital of the Company;

“**DEA**” means the United States Drug Enforcement Agency;

“**Debenture Financing**” the meaning ascribed thereto on page 14 of this AIF;

“**DOJ**” means the United States Department of Justice;

“**FDA**” means the United States Food and Drug Administration;

“**FinCen**” the meaning ascribed thereto on page 42 of this AIF

“**Forge Lake Property**” the meaning ascribed thereto on page 12 of this AIF;

“**Fox Agreement**” the meaning ascribed thereto on page 12 of this AIF;

“**IFRS**” means International Financial Reporting Standards;

“**HRM**” the meaning ascribed thereto on page 12 of this AIF;

“**Ionic**” or the “**Company**” means Ionic Brands Corp.;

“**IRS**” means the United States Internal Revenue Service;

“**Lender**” the meaning ascribed thereto on page 14 of this AIF;

“**Loan**” the meaning ascribed thereto on page 14 of this AIF;

“**Magnum LOI**” the meaning ascribed thereto on page 12 of this AIF;

“**MAUCRSA**” means has the meaning ascribed thereto on page 28;

“**McIntosh**” has the meaning ascribed thereto on page 26;

“**Pele**” has the meaning ascribed thereto on page 12 of this AIF;

“**person**” means a company or individual;

“**Pigeon River Property**” the meaning ascribed thereto on page 12 of this AIF;

“**RBA**” has the meaning ascribed thereto on page 26;

“**SB94**” has the meaning ascribed thereto on page 28;

“**SEC**” means the United States Securities and Exchange Commission;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval filing system, available on the Internet at <http://www.sedar.com>;

“**Sessions Memo**” has the meaning ascribed thereto on page 27;

“**Share Exchange Agreement**” means the agreement dated December 24, 2018, as amended and restated on February 26, 2019, made among the Company, 1195669 B.C Ltd., Blacklist, Blacklist Finco Inc., the shareholders of Blacklist and the debenture holders of Blacklist;

“**Tax Code**” means the *Internal Revenue Code of 1986*, as amended;

“**THC**” tetrahydrocannabinol;

“United States” or **“U.S.”** means the United States of America;

“Warrants” means common share purchase warrants of the Company;

“Zoots” the meaning ascribed thereto on page 13 of this AIF; and

“Zoots Merger Agreement” the meaning ascribed thereto on page 13 of this AIF.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the *Business Corporations Act* (Ontario) on October 9, 2012 under the name “Zara Resources Inc.” On July 3, 2013, the Company continued into British Columbia and is governed under the BCBCA. On March 22, 2019, the Company changed its name to “Ionic Brands Corp.” in connection with the Blacklist Acquisition which resulted in a fundamental change of business under the policies of the CSE. See “*General Development of the Business – Acquisition of Blacklist*”.

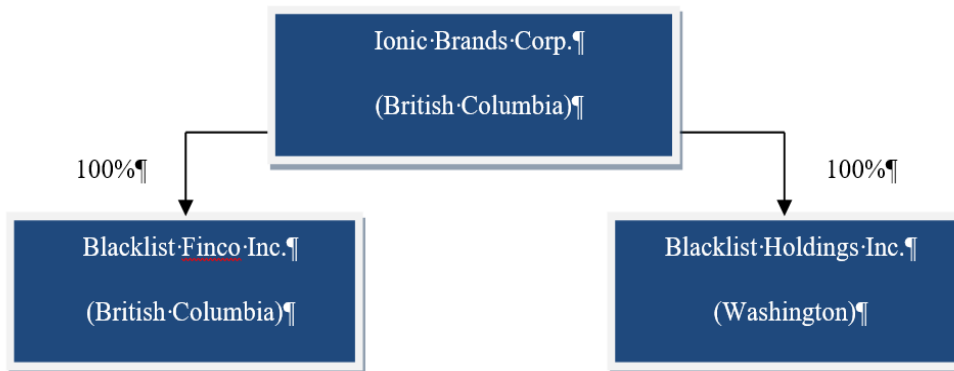
The Company’s head office is located at Suite 488 - 1090 West Georgia Street, Vancouver, BC, V6E 4V2 and its registered and records office is located at Suite 1500 – 1055 West Georgia St., Vancouver, BC V6E 4N7.

The Common Shares are listed on the Canadian Securities Exchange (the “CSE”) under the trading symbol “IONC”. The Company is a reporting issuer in Canada in the provinces of British Columbia, Alberta, and Ontario.

Inter-corporate Relationships

As at the date of the AIF, the Company has the following material wholly-owned subsidiaries:

- Blacklist Finco Inc., a British Columbia corporation;
- Blacklist Holdings Inc., a Washington State corporation.



GENERAL DEVELOPMENT OF THE BUSINESS

Summary

The Company’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. The Company is currently not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis, but it has entered into letters of intent and binding agreements to acquire such businesses. 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.

The Company 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; (ii) the selling of ancillary products to cannabis entities; and (iii) leasing facilities and equipment to certain licensed cannabis entities.

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

The Company's extraction, formulations, and post extraction processes are proprietary and held as closely guarded trade secrets. The specific plant-based terpene profiles are never provided to any licensed partner whether they are a direct licensed processor or co-packing partner. These processes are licensed to producers and co-packagers. The Company 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, the Company procures and supplies the vape pens, both refillable and disposable, cartridges, applicators, jars and brand, packaging and labeling for the licensee. The Company'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 Company's 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.

Washington

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

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

Oregon and California

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

Three Year History

Pre - 2018 History

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

On January 7, 2013, the Company 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 Common Shares at a fair value of \$1.00 per Common Share and 475,000 non-voting 5% convertible Series B preferred shares of the Company 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 Company allowed seven out of eight claims to lapse. On April 10, 2015, the Company 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 Company sold a 25% interest in its Pigeon River mining claim to Winston Resources Inc. for the sum of \$9,000. The Company now has a 50% interest in Pigeon River Property which consists of a single mining claim.

On April 21, 2013, the Company 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 the Company. During the year ended July 31, 2015, management determined that the Company did not have the financing to further the Forge Lake Property.

On April 13, 2017, the Company announced that it had entered into a definitive agreement for the acquisition by the Company 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, the Company 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 the Company of all the issued and outstanding shares of Magnum Korea Ltd. (the "**Magnum LOI**").

The Company 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 Company announced that it would not proceed with the acquisition of Magnum Korea Ltd. pursuant to a Magnum LOI.

Blacklist Acquisition

Under the terms of the Share Exchange Agreement, on March 22, 2019, the Company acquired 100% of the outstanding shares of Blacklist by issuing shareholders of Blacklist one Common Share for each Blacklist share held (the "**Blacklist Acquisition**"). On closing of the Blacklist Acquisition, the Company

issued 88,574,574 Common Shares to former Blacklist shareholders. Certain of the Common Shares held by the shareholders of Blacklist are subject to escrow conditions and applicable resale restrictions as required by applicable securities laws and CSE requirements.

The Share Exchange Agreement also provided that each outstanding warrant to purchase shares of Blacklist became a warrant to purchase Common Shares and the number of Common Shares and the exercise price was adjusted in accordance with the terms governing the Blacklist warrants.

In connection with the Blacklist Acquisition, the parties entered into the Amalgamation Agreement, pursuant to which the Company and Blacklist were to undertake a three-cornered amalgamation, whereby a subsidiary of the Company and Blacklist Finco amalgamated with holders of Blacklist Finco shares receiving Common Shares, on a post-consolidation basis. As a result of the amalgamation, the Company became the sole registered owner of all the outstanding shares of the amalgamated company.

Following the completion of the Blacklist Acquisition, the Company wound-down the amalgamated company.

Prior to closing of the Blacklist Acquisition, the Company consolidated its issued and outstanding Common Shares at a ratio of 35.9389 pre-consolidation Common Shares for one post-consolidation Common Share. The Common Shares issued in connection with the Blacklist Acquisition were issued on a post-consolidation basis.

Acquisition of Zoots Premium Cannabis Brands

On May 31, 2019, the Company acquired Natural Extraction Inc. d/b/a Zoots Premium Cannabis Infused Edibles (“**Zoots**”), a Washington State based company. In accordance with the terms of an agreement and plan of merger (the “**Zoots Merger Agreement**”) among the Company, a merger subsidiary of the Company, Zoots and the shareholders of Zoots, the Company acquired all of the issued and outstanding shares of Zoots for US\$855,000 in cash and the issuance of 7,353,893 Common Shares and 3,676,947 Warrants, with each warrant exercisable for one Common Share at the exercise price of \$1.33 per Common Share for a period of three years.

Zoots Premium Cannabis Infused Edibles are available at licensed marijuana retailers in Illinois, Washington, Colorado and Massachusetts. Founded by brothers Dan, Michael and Patrick Devlin, Zoots products feature cannabis oil derived from Zoots' proprietary Cypress Extraction™ system and blended with other premium ingredients to deliver a safe, reliable and pleasant experience. Zoots emphasizes product safety, quality and consistency, and offers products in serving sizes as low as 5mg THC enabling the consumer to manage dosage and control over serving size and effect.

Financings

Subscription Receipt Financing

Prior to entering into the Share Exchange Agreement, Blacklist Finco 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 entitled the holder to receive one Blacklist Finco share upon the completion of the conditions precedent to the Blacklist Acquisition, other than the issuance of consideration therefor. Each Blacklist Finco share was 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 Common Share.

Debenture Financing

Blacklist 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 bore interest at a rate of 0% per annum payable, maturing two years from the date of issuance.

In accordance with terms of the Blacklist Debentures, upon the completion of the Blacklist Acquisition, the Blacklist Debentures converted 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 \$1,200,000 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. The Blacklist shares issued upon conversion of the Blacklist Debentures was exchanged for one Common Share pursuant to the terms of the Share Exchange Agreement.

Certain of the Common Shares issued to former Blacklist Debenture holders are subject to a contractual hold period. In particular, 4,800,000 Common Shares were subject to a hold period until April 18, 2019, 10,500,000 Common Shares are subject to a hold period until July 22, 2019, and 5,250,000 Common Shares are subject to a hold period until December 22, 2019.

Additional Financing

On February 28, 2019, Blacklist completed a loan transaction whereby a lender (the “**Lender**”) loaned to Blacklist \$2.5 million at an annual interest rate of 17% (the “**Loan**”). The Loan was due one calendar year following the date the Loan was issued. The Loan was subject to mandatory prepayment in the event Blacklist completed either an initial public offering of the Blacklist Shares or a reverse take-over transaction with a Canadian public company. Blacklist repaid the Loan and all accrued and unpaid interest upon the release from escrow of the proceeds of the Subscription Receipt financing. In addition, upon full payment of the Loan, Blacklist issued to the Lender 2,000,000 non-transferable Blacklist Share purchase warrants. Each warrant is exercisable at \$0.55 per Blacklist share for a period of one year from the date of issuance. In accordance with the Share Exchange Agreement, upon closing of the Blacklist Acquisition, these warrants represent a right to purchase one Common Share per warrant at \$0.55 per Common Share. The term to expiry, conditions to and manner of exercise and other terms and conditions of these warrants remain the same with respect to the right to purchase the Common Shares accordingly.

Convertible Debenture Financing

On May 16, 2019, the Company completed a brokered offering of 17,227 convertible debenture units (“**CD Units**”) for gross proceeds of \$17,227,000 pursuant to a private placement (the “**2019 CD Offering**”) of CD Units. The 2019 CD Offering was led by Clarus Securities Inc., as lead agent, together with a syndicate of agents including GMP Securities L.P., Cormark Securities Inc. and PI Financial Corp. Concurrent with the closing of the 2019 CD Offering, the Company also closed the non-brokered offering of 2,532 CD Units for gross proceeds of \$2,532,000.

Each CD Unit consists of (i) \$1,000 principal amount of 8.0% unsecured debentures convertible into Common Shares at a conversion price of \$0.75 per Common Share and maturing on May 16, 2022; and

(ii) 1,333 Warrants. Each Warrant entitles the holder to purchase a Common Share at an exercise price of \$0.90 per Common Share until May 16, 2022, subject to acceleration in certain circumstances. The net proceeds from the 2019 CD Offering will be used for strategic acquisitions and for general and corporate working capital purposes.

The convertible debentures bear interest from their issue date at 8.0% per annum, payable semi-annually on the last day of June and December in each year and mature three years following the date of issuance. The first interest payment will be made on June 28, 2019. The convertible debentures are unsecured, and rank pari passu in right of payment of principal and interest with all of the existing and future unsecured indebtedness of the Company. The convertible debentures are convertible at the option of the holder into Common Shares any time prior to 5:00 p.m. (Pacific time) on the last business day prior to the maturity date at a conversion price of \$0.75 per Common Share. The Company may force the conversion of the entire principal amount of the then outstanding convertible debentures at this conversion price if the daily volume weighted average trading price of the Common Shares on the CSE is greater than \$1.50 for the preceding five consecutive trading days. Holders having their convertible debentures converted will receive accrued and unpaid interest thereon in cash.

In connection with the brokered part of the 2019 CD Offering, the Company paid the agents a cash fee of \$1,033,620 and issued an aggregate of 1,034 compensation warrants to the agents and other selling dealer group members (the “**Compensation Warrants**”). Each Compensation Warrant entitles the holder to purchase one CD Unit of the Company at an exercise price of \$1,000 until May 16, 2022. In addition, the Company also paid the Agents a corporate finance fee of \$25,320 and issued an aggregate of 25 Compensation Warrants. In connection with the non-brokered part of the 2019 CD Offering, the Company paid a cash fee of \$59,500 and issued an aggregate of 62 finders’ warrants to eligible finders. Each finders’ warrant entitles the holder to purchase one CD Unit of the Company at an exercise price of \$1,000 until May 16, 2022. The convertible debentures and the Warrants comprising each CD Unit, and any Common Shares issuable upon conversion or exercise thereof, are subject to a statutory four month and one day hold period, which expires on September 17, 2019.

OVERVIEW OF BUSINESS

The Company’s primary business is the provision of services and products ancillary to the cannabis production and processing industry in the states of Washington, Oregon, California and Nevada. The Company is currently not engaged in the manufacture, importation, possession, use, sale or distribution of cannabis. The Company delivers comprehensive solutions to licensed cannabis processors and producers.

Principal Products or Services

Values

The Company’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

The Company has 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; and
- **RELAX** – characterized as lucid, reflective, sleepy, healed, content and contemplative. These qualities are most suited to Indica strains of cannabis.

Cannabis Oil and Concentrates

The Company'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 Company 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 the Company'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. The Company's fine tuned treatment process and the quality of raw materials ultimately are what separate the IONIC™ brand from their competitors.¹

The Company's process uses its proprietary processes to produce cannabis oils and concentrates in a clean and efficient manner and uses only the highest quality ingredients and methods to craft its signature and proprietary blend, which is three times filtered for extra purity.

The Company intends on creating seasonal blends, examples of which may include 'Pumpkin Spice' for Thanksgiving and 'Peppermint' for Christmas, with each seasonal blends containing a flavor profile that is refined and subtle, not overly flavored.

Vaporizers

The Company offers two types of vaporizers:

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.

¹ Marijuana Business Daily, *Marijuana Business Factbook 2016*. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017

- Luxurious blend handcrafted and three times filtered for extra purity.
- Easy to take anywhere and ready to use, just attach the battery of choice and go.

The Company 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 have historically been problematic, with 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.

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



Licensing

The Company licenses to processors and co-packagers its proprietary process for the manufacture of cannabis oil for the recreational and medical concentrates market. The Company has numerous product lines that includes ultra-premium CO2 oil and wax in the Company's Black Line and Pure Line, and distillate oil and wax. All of these products can be delivered to consumers in discreet, easy-to-use vape pens, cartridges, applicators or jars. The Company employs quality control managers in place at each partner processor or co-packager location to ensure the highest quality standards in the industry to

support its brand promises and standards. In all markets that the Company offers the licensed IONIC™ brand, the Company supports its marketing operations with deployed market managers and brand ambassadors to secure accounts as well as to assist the retailer with in-store sales.

Branding and Marketing

Market Differentiation

The Company'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 the Company's brand and product line will predominately be presented by and filtered through what the Company sees as the single most powerful tool at its 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 the Company 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

The Company already has or 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; and
- 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 the Company state managers to show support at all key partner accounts.

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.²

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 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.³

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.⁴ The electric devices, with their fine temperature controls, showed high decarboxylation efficiency of the

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

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

⁴ Marijuana Business Daily, *Marijuana Business Factbook 2016*. Blacklist, Inc. commissioned white paper Zach Bell PHD 2017

acidic cannabinoids THCA ($\geq 97.3\%$) and CBDA ($\geq 94.6\%$). 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%).⁵ 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.⁶

Until recently, the market has primarily catered to mainstream cannabis (flower) consumers. However, as new consumers enter the market, Retailers offering the Company 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. The Company believes that its target markets will demand a more mature, sophisticated way to enjoy cannabis products.

The primary focus of Company is in the concentrates market which currently encompasses 15% of all cannabis sales in Washington.⁷ 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.

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.⁸

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

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 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/>.

Medical Association, found evidence supporting the use of cannabis to treat pain and muscle spasms.⁹ 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.¹⁰

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.¹¹ In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.¹² These values represent a strong shift in public support towards favoring legal cannabis use.

Notwithstanding that 33 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, Oregon and Nevada 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).¹³ To put that in perspective, the entire United States GDP grew by 22% during the dot-com era¹⁴, 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 Grant, Igor MD (2015). Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16, 1750-1751. doi: 0.1001/jama.2015.11429.

¹⁰ 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.

¹¹ 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>.

¹² 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>.

¹³ 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/>.

¹⁴ 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 annually¹⁵, and that the total number of medical cannabis patients nationwide is expected to grow to 2.5 million by 2021.¹⁶

Washington Cannabis Market

People use cannabis for a variety of reasons, often to medicate, relax and socialize, and this market also encompasses successful adults. The Company intends to 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 the Company intends to seek to facilitate this change. Cannabis use which is becoming widely accepted in many areas generates US\$90 billion in revenue each year in the United States. The Company believes 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 the Company is seeking to become a national brand known for its safety, reliability, and above all to remove the stigma around cannabis use. The Company exceeds Washington State Liquor and Cannabis Board’s standards including its 100% testing for pesticides as an 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 the Company’s experience in the State of Washington will serve the Company well as a launching platform in other recreational markets more specifically markets west of the Mississippi River. In Washington, the Company’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.¹⁷ 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 reached approximately US\$3.7 billion in 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

¹⁵ Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from <https://mjbizdaily.com/factbook/>.

¹⁶ New Frontier Financial. (2015). Modeling of State Patient Counts. *Cannabis Weekly*.

¹⁷ 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>.

less than 10% as patients gain an alternative to obtaining medical cannabis physician recommendations for a fee.¹⁸

Oregon Cannabis Market

Oregonians are expected to spend more than US\$1 billion on cannabis products in 2020, according to a new forecast.¹⁹ 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).

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%.²⁰ 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.²¹

Trends in the North American Cannabis Market

The Company 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 2017.²² 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.²³ 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

¹⁸ 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>.

¹⁹ Danko, Pete (Aug 10, 2018). Staff Reporter, Portland Business Journal Oregon cannabis sales expected to top \$1B by 2020.

²⁰ Ward, Andrew (Nov 2, 2017) "Are Cannabis Concentrates Becoming More Popular than Flower?"

²¹ Ward, Andrew (Nov 2, 2017) "Are Cannabis Concentrates Becoming More Popular than Flower?"

²² A Gallup Poll showed that 64% of Americans favor legalization.

²³ 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>.

Specialized Skill and Knowledge

A number of aspects of the Company's business functions require specialized skills and knowledge. The Company has specialized skills and knowledge in the areas of cultivation of medical and adult-use cannabis, processing (extraction) of cannabis oil, development and production of cannabis-based products, and sales and marketing. In particular, the Company's management team believes that they have staff and expertise which provide a unique skill set for the indoor cultivation of cannabis and extraction of cannabis oil in accordance with regulatory requirements, developed over years of practical experience. The Company has an experienced team and quality assurance personnel focused on generating high quality products that meet and exceed regulatory requirements. Management of the Company has specialized skill and knowledge in the production of cannabis-based products and has produced a variety of products for distribution in compliance with applicable regulatory requirements.

Intangible Properties

Patents

The Company's subsidiary 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 and 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. The Company's terpene formulations and distillation processes are closely held and guarded secrets of the Company.

Trademarks

The Company's subsidiary Blacklist owns the following trademark:



IONIC

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

Cycles

The Company's business is not cyclical or seasonal.

Employees

As at the date of this AIF, the Company had a total of 25 full-time and part-time employees.

CANNABIS LEGISLATION

U.S. Regulatory Regime

The Cole Memo

On August 29, 2013, in response to the medical cannabis legalization initiatives in several states, the US Department of Justice (“**DOJ**”) prepared and issued the Cole Memo as guidance to federal prosecutors concerning medical cannabis enforcement under the CSA (the “**Cole Memo**”). The DOJ identified the most significant threats posed by cannabis activity that federal law enforcement, including in the use of federal funds, should prioritize:

- preventing the distribution of marijuana to minors;
- preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- preventing marijuana possession or use on federal property.

The Cole Memo explains that outside of the eight listed enforcement priorities, the federal government should rely upon state and local law enforcement to address cannabis activity through enforcement of each state’s respective narcotics laws. In relevant part, the Cole Memo states the following:

“In jurisdictions that have enacted laws legalizing marijuana in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of marijuana in compliance with those laws and regulations is less likely to threaten the federal priorities set forth above . . . [a] robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of marijuana outside of the regulated system, prohibiting access to marijuana by minors, replacing an illicit marijuana trade with a tightly regulated market in which revenues are tracked . . . [i]n those circumstances, state and local law enforcement shall remain the primary means of addressing marijuana-related activity.”

United States v. McIntosh

Under the U.S. Ninth Circuit's Holding in *United States v. McIntosh* (9th Cir. 2016) ("**McIntosh**"), the DOJ is prohibited from spending federal funds to prosecute individuals whose conduct is permitted by and complies with State medical cannabis laws.

In *McIntosh*, the defendants faced federal indictments under the CSA due to their involvement in medical cannabis cultivation, manufacturing and dispensing. The defendants challenged their indictments on the basis that such prosecution violated the Rohrabacher-Blumenauer Amendment, an omnibus appropriations bill enacted by Congress in December 2014 (the "**RBA**"), dictates the following:

"None of the funds made available in this Act to the Department of Justice may be used with respect to the States of . . . California, . . . to prevent such States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana."

The Ninth Circuit, in deciding whether the prosecutions of the defendant violated the RBA, focused on the plain meaning of the specific text, specifically, "prevent such states from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana." The Ninth Court rejected the DOJ's argument that prosecuting private individuals does not prevent the medical cannabis "States from implementing their own [medical cannabis laws]." In an important and telling passage, the Court stated:

"By officially permitting certain conduct, state law provides for non-prosecution of individuals who engage in such conduct. If the federal government prosecutes such individuals, it has prevented the state from giving practical effect to its law providing for non-prosecution of individuals who engage in the permitted conduct."

Thus, the Ninth Circuit concluded that, at a minimum, the RBA prohibits the DOJ from spending federal funds for the prosecution of individuals who engaged in medical commercial cannabis activity permitted by the state's medical cannabis laws and fully complied with those medical cannabis laws.

While the Ninth Circuit's holding is limited in geographic scope, the Company's California operations fall under the jurisdiction of the Ninth Circuit, where the *McIntosh* case is legal precedent. The Company's planned operations comply with MAUCRSA (as defined below), pursuant to the ruling in *McIntosh*, the Company believes it can assert the ruling as a defense against any federal prosecution.

Extension of the Rohrabacher-Blumenauer Amendment

In its *McIntosh* ruling, the Ninth Circuit recognized the temporal nature of the RBA. Because it is part of an omnibus bill and is a budget rider, it must be renewed by Congress each year to remain in effect. This makes its longevity a political issue. The Ninth Circuit did indicate that this temporary lack of funding could become a more permanent lack of funds if Congress continues to include the same rider in future appropriations bills.

On July 27, 2017, the Senate Appropriations Committee approved the rider by a voice vote, indicating that it was not controversial among the panel's members. The Senate Appropriations Committee includes 16 Republicans and rejected a recent personal plea by former Attorney General Jeff Sessions to let the amendment lapse.

On May 17, 2018, the House Appropriations Committee approved inclusion of the RBA in the CJS appropriations bill for fiscal year 2019, in a voice vote led by sponsor Rep. David Joyce. The amendment was then renewed through a series of short-term spending bills signed on September 28, 2018, December 7, 2018 and January 25, 2019. On February 15, 2019, the amendment was renewed as part of an omnibus spending bill in effect through September 30, 2019. However, the bill 22 does not afford the same DOJ prohibitions regarding prosecuting conduct and commerce regarding recreational marijuana, which poses a significant risk to the Company's California production of recreational marijuana. Moreover, there can be no certainty that Congressional support for the RBA amendment will continue after the September 30, 2019 expiration.

The Sessions Memo

On January 4, 2018, former Attorney General Jeff Sessions and the DOJ issued a Memorandum for all United States Attorneys entitled "Marijuana Enforcement" (the "**Sessions Memo**"). The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo.

The Sessions Memo instructs federal prosecutors to disregard the previous Obama-era Cole Memo guidance, and instead follow "the well-established principles that govern all federal prosecutions . . . as reflected in chapter 9-27.000 of the U.S. Attorney's Manual." The Sessions Memo continues, stating, "these principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes in the community."

The effect of the Cole Memo's rescission remains to be seen. Since 1980, when chapter 9-27.000 of the U.S. Attorney's Manual was originally promulgated, the United States has undergone a dramatic shift in both national and state-level marijuana policy. In 1980, there were zero (0) states in the U.S. with marijuana decriminalization or legalization statutes. Today, over forty (40) states and U.S Territories have enacted marijuana legislation in some form, with additional states considering similar legalization measures. As a result, the manner in which the factors identified in chapter 9-27.000 of the U.S. Attorney's Manual (e.g. "seriousness of the crime," "deterrent effect of criminal prosecution," and cumulative impact . . . in the community") are considered and interpreted today as a matter of prosecutorial discretion, will likely be different than the way in which they were considered and interpreted in 1980.

On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole Memo-era status quo despite the DOJ's decision to rescind it. Further, Session's replacement, U.S. Attorney General William Barr during his confirmation hearing, pledged not to go after marijuana companies that comply with state law. He recently put this pledge in writing, when responding to written questions from senators. "As discussed in my hearing, I do not intend to go after parties who have complied with the state law in reliance on the Cole Memorandum," he wrote. The RBA also remains in effect, which prohibits the Justice Department from spending funds to interfere with the implementation of state medical cannabis laws. Moreover, in January of 2019, then nominated and now current Attorney General William Bar, in a series of written responses to the Senate Judiciary Committee as a follow up to his confirmation hearing stated his preference is that the "legislative process, rather

than administrative guidance, is ultimately the right way to resolve whether and how to legalize marijuana.”

The impact that this lack of uniformity between state and federal authorities, policies, court holdings and the RBA coupled with the uncertainty of future federal legislation could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

The Company will continue to abide by the tenets of the Cole Memo indefinitely, and strictly comply with all of the federal priorities listed under the Cole Memo, despite the fact that it has been rescinded. The Company views compliance with these federal government principles as an absolute necessity for both the success of the Company as well as the emergence of a successful regulated marketplace in the United States. Further, management will continue to assess all considerations relevant to federal law enforcement priorities in this arena, and to monitor all related political and regulatory developments.

California Regulations

Through its passage of Senate Bill No. 94 in June 2017 (“**SB94**”), the repeal of the Medical Cannabis Regulation and Safety Act and the amendment of the *Adult Use of Marijuana Act*, California has consolidated two distinct laws into a single law known as the *Medicinal and Adult-Use Cannabis Regulation and Safety Act* (“**MAUCRSA**”). MAUCRSA consolidated 23 three separate regulatory bodies (the Department of Food and Agriculture, the Department of Consumer Affairs, and the Department of Public Health) into a single regulatory system for both medicinal and adult use cannabis. As such, California has created a comprehensive regulatory framework that addresses the DOJ’s priorities and governs commercial cannabis activity the same, regardless of whether it is medicinal or recreational cannabis activity.

SB94 imposes requirements to ensure medical cannabis products and revenues are not diverted to non-patients, minors, felons, and across state lines. It also requires a track-and-trace program from seed-to-sale to ensure illicit cannabis cannot enter the regulated marketplace. California’s regulatory controls and system in the commercial cannabis industry addresses the key federal enforcement priorities set forth in the Cole Memo, including preventing diversion to minors and across state lines, and preventing revenue streams to criminal enterprises.

The Company believes California state law enforcement (and regulatory agencies) will be respected as the primary enforcer of medical cannabis regulations despite the rescission of the Cole Memo. The Company operates within the framework of MAUCRSA and believes it should not trigger any one of the federal enforcement priorities enumerated under the Cole Memo or under chapter 9-27.000 of the U.S. Attorney’s Manual.

The Company has retained U.S. legal counsel in order to monitor the California state regulatory regime and proactively advise management and the Board on ongoing regulatory matters.

Washington State Regulations

With the passage of Initiative 502 in 2012, the State of Washington moved to a comprehensive regulatory approach on marijuana, with state-licensed producers, processors, and retailers. As of July 1, 2016, the production and marketing of medical marijuana was also incorporated into the same

regulatory framework as recreational marijuana, with some variations such as the allowance of medical marijuana cooperatives.

Under the 2016 legislation, all marijuana licensing is regulated and enforced by the Washington State Liquor and Cannabis Board (LCB). To assist with the legislative changes, the LCB published on their website a Medical Marijuana Transition webpage that provides access to many useful resources, among them: Medical Marijuana FAQs and Cooperatives FAQs.

The primary statutes for recreational marijuana are codified in chapter 69.50 RCW, beginning with RCW 69.50.325; the medical marijuana statutes are located in chapter 69.51A RCW. The Liquor and Cannabis Board regulations for marijuana are found in chapter 314-55 WAC.

Oregon Regulations

Medical Use

A person who suffers from a debilitating medical condition (from a limited list of mostly severe physical conditions and PTSD) and who has been so diagnosed by an Oregon licensed medical doctor or osteopath (an MD or DO) and who registers with the Oregon Health Authority is protected from arrest and prosecution under state laws so long as the patient with a registry identification card stays within the limits allowed, and does not do any of the prohibited things set forth in ORS 475.316. The limits are:

- six mature plants, defined, effective March 1, 2016, as flowering; until then, a mature plant is defined as being more than a foot tall or more than a foot wide or flowering; and
- 18 immature plants or starts or seedlings, defined, until March 1, 2016, as less than a foot tall and less than a foot wide and not flowering. Starting March 1, 2016, there is no limit on the number of immature plants, starts or seedlings a patient may have.

The patient can designate a caregiver and a grower who are similarly protected. Collectively, these three people may possess up to 24 ounces of “usable marijuana,” which includes hashish. A grower is only allowed to cultivate for four patients, but an unlimited number of patients may designate the same location for their growsite.

Irrespective of who cultivates it, the patient owns all the medicine, until March 1, 2016; beginning on that date, the patient may choose to give the grower the ownership of the medicine.

The patient may authorize himself or herself, or the caregiver or the grower to distribute any excess usable medical marijuana to a medical marijuana dispensary and be fully reimbursed. The dispensary, in turn, can reimburse the grower (who may also be the patient) and in turn be fully reimbursed by patients and their caregivers.

As noted above, an unlimited number of patients may designate the same location as their growsite. Responding to the emergence of commercial medical cultivation and concerns about leakage out of state and large growsites in urban areas, the legislature imposed the following changes, effective March 1, 2016:

- Urban gardens in areas zoned residential are allowed 12 plants, unless there were 24 plants designated at that location by Jan. 1, 2015; in that case, all 24 plants are allowed;

- Other areas (not urban residential zones) are allowed up to 48 plants, unless there were 96 plants designated at that location by Jan. 1, 2015; in that case, 96 plants are allowed; and
- Indoor medical marijuana growsites will be allowed to have up to 6 pounds of usable marijuana per mature plant, and outdoor marijuana growsites will be allowed 12 pounds per mature plant.

Medical growsites will undergo a registration process starting March 1, 2016, which will include monthly reporting to the Oregon Health Authority on what is cultivated, possessed and distributed to patients and dispensaries.

The Medical Marijuana Act is codified beginning at ORS 475.300. Administrative rules can be found at OAR 333-008-0000. These laws were also amended by HB3400 (2014).

RISK FACTORS

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase Common Shares in the Company's authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

Limited Operating History

The Company has a limited history of operations and is considered a development stage company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Negative Cash Flow for the Foreseeable Future

The Company has no history of earnings or cashflow from operations. The Company does not expect to generate material revenue or achieve self-sustaining operations for several years, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company may experience some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income and cash flow could differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be

revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company 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 Company'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 Company'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 Company. The Company's efforts to grow its business may be costlier than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. We may incur significant losses in the future for many reasons, including the other risks described in this AIF, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Going-Concern Risk

The consolidated financial statements 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 Company's future operations are dependent upon the identification and successful completion of equity and/or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability.

The 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 Company be unable to continue as a going concern.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.

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

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register its intellectual property. Under U.S. federal and state law such may be impaired by the illegality of cannabis under U.S. federal law;

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

Failure to successfully integrate acquired businesses, their products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisitions.

The Company has grown by acquiring businesses, including Blacklist. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time-consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

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

business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

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

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

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 labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Protection and Enforcement of Intellectual Property Rights

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company has entered into confidentiality and invention assignment

agreements with its officers and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the regulatory authorities of the states the Company operates in, as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company 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 Company's products. In addition, the Company collects and

stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

Litigation Risks

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

Commercial success of the Company will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing its own patents and proprietary rights against others. The research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of the Company's programs. The Company is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe on their intellectual property.

While it is the practice of the Company to undertake pre-filing searches and analyses of developing technologies, they cannot guarantee that they have identified ever patent or patent application that maybe relevant to the research, development, or commercialization of its products. Moreover, the Company can provide no assurance that third parties will not assert valid, erroneous, or frivolous patent infringement claims.

There may be larger, better financed companies which may become competition for the Company.

There is high potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and research and manufacturing than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Competitive pressures created by any one of these companies, or by the Company's competitors collectively, could have a material adverse effect on the Company's business, results of operations and financial condition.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment/consulting agreements are customarily used as a primary method of retaining the services of key management, these agreements cannot assure the continued services of such persons. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited Market for Securities

The Company's common shares are listed on the CSE. There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits will be granted.

Uninsurable Risks

The business of the Company may not be insurable or insurance may not be affordable. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

The market price of the Company's common shares may be subject to wide price fluctuations

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

The lack of experience of the Company/Management in marketing, selling, and distribution products

The Company's management's lack of experience in marketing, selling, and distributing our products could lead to poor decision-making which could result in cost-overruns and/or the inability to produce the desired products. Although management of the Company intends to hire experienced and qualified staff, this inexperience could also result in the company's inability to consummate revenue contracts or any contracts at all. Any combination of the aforementioned may result in the failure of the Company and a loss of your investment.

Risks Associated with Future Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued except as has been previously disclosed. There can

be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the 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 and financial condition of the Company.

Conflicts of Interest

Certain of the Directors and officers of the Company 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 Company and as officers and directors of such other companies.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Company is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the stock exchange.

Risk Factors Specifically Related to the United States Regulatory System

Some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local laws, are illegal under U.S. federal law.

Although over forty (40) US states and territories of the U.S. authorize medical and/or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment. Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be

deemed to be aiding and abetting illegal activities and engaging in money-laundering through the contracts it has entered into and the products that it intends to provide. The Company intends to manufacture, distribute and sell recreational and medical cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited, a claim regarding the Company's possession, use and sale of cannabis, money-laundering and aiding and abetting another's 35 criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations, should have its assets and funds seized and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

There is uncertainty of existing protection from U.S. federal prosecution.

While the RBA was renewed in February 2019 as part of an omnibus spending bill in effect through September 30, 2019, the bill does not afford the same DOJ prohibitions regarding prosecuting conduct and commerce regarding recreational marijuana, which poses a significant risk to the Company's California production of recreational marijuana. Moreover, there can be no certainty that Congressional support for the RBA amendment will continue after the September 30, 2019 expiration. If the RBA or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to U.S. medical cannabis businesses would lapse, and such businesses would be more at risk to prosecution under federal law. There is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the RBA are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Company regularly monitors the regulatory activities of Congress. Fully 62% of the combined House of Representatives and the Senate represent states with medical marijuana laws enacted or in process.

There is uncertainty surrounding the current U.S. presidential administration and its influence and policies in opposition to the cannabis industry as a whole.

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump Administration or the policies of any future presidential administration about recreational and medical cannabis.

On January 4, 2018, Former Attorney General Jeff Sessions and the DOJ issued the Sessions Memo. The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. While newly confirmed Attorney General William Barr has stated publicly that he does not intend to "go after parties who have complied with the state law in reliance on the Cole Memorandum," his position could change. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

There is no certainty as to how recently confirmed Attorney General William Barr, Federal Bureau of Investigation, the Drug Enforcement Agency and other federal government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Company regularly monitors the activities of the current administration for evidence that it will contravene the RBA enacted by Congress.

The Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed.

Should the federal government in the U.S. begin prosecuting those dealing in recreational cannabis under applicable law, there may not be any market for the Company's products and services in the U.S.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

The Company's business operations may come under additional scrutiny by governmental and non-governmental agencies.

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

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, the property of the Company may be seized and the operations of the Company shut down.

The U.S. federal government, through both the DEA and IRS, has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have a material adverse effect on the Company's business, operating results and financial condition.

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

The Company's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. 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. On February 8, 2018, CDS signed a memorandum of understanding (the "**CDS MOU**") with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX-V. The CDS MOU outlines CDS' and these exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of these exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on these 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 marijuana-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 Company, it would have a material adverse effect on the ability of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of Common Shares through the facilities of a stock exchange.

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

The Company's business activities rely on newly established and/or developing laws and regulations in multiple jurisdictions, including in California, Washington and Oregon. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, the SEC, the DOJ, the Financial Industry Regulatory Authority or other federal or other applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or non-medical purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

There is no assurance of success or profitability under the new legal and regulatory structure in California.

There are no assurances that the Company will be granted any licenses in the State of California. The Company has not determined the extent to which the provisions of MAUCRSA will impact the Company, its business and its current and future operations. While California has legalized the sale of cannabis for medical and recreational use outside of cooperatives or collectives and the sale of cannabis as a for-profit business activity, the regulations relating to how cannabis businesses will be required to operate in the future in California are uncertain. Accordingly, there is no way to currently anticipate what the legal climate surrounding the Company's anticipated business plan will be at any point in the future and there is no assurance that the Company will operate profitably or generate revenues or profits that will permit the payment of dividends on or any increase in the value of the Common Shares.

California legislation states that regulations promulgated by the Bureau of Cannabis Control and any other California state agency that no person can engage in commercial cannabis-related activity without possessing both a state license and either a local permit, license or other authorization, or otherwise being in compliance with local law.

The process associated with acquiring a state license in California is onerous and there are no assurances that the Company will be granted any state licenses at all. Furthermore, all California licensed cannabis businesses are subject to inspection by local authorities and the State of California agencies administering MAUCRSA to ensure compliance. Previously, all applicants for a state license were required to show proof of compliance with local laws; however, pursuant to MAUCRSA, applicants may show prior compliance with local law prior to state licensure, but the burden has shifted to the city or county to alert the state within sixty (60) business days if such applicant is not in compliance with local laws. Although the Company believes it is currently, and will continue to be, in compliance with all applicable state and local laws, there is no assurance that any city or county will not alert the state of any issues regarding the Company's compliance. Further, because there are different licenses for different types of commercial cannabis-related activities, even if the Company is granted one or more licenses, there are no assurances that it will be granted all the licenses it will need to implement the Company's business plan. The Company has engaged in lobbying efforts with local and California state officials to ensure that it has adequate representation in support of future licensing.

There are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors.

There are no assurances that, when the applicable time comes, the Company will have the capital necessary to acquire (or continue to renew) the licenses necessary to carry out its business plan. Given the necessity of such licenses, failure to possess the necessary licenses (regardless of the reason) would have a material impact on the financial condition of the Company.

Applicable state and local legislation imposes state and local taxes on California's cannabis industry.

MAUCRSA imposes an excise tax to be paid by the end-consumer and the dispensary; and a cultivation tax to be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to the sales and use tax at the state and the local level cannabis taxation. Tax rates at the local and state level may increase in the future and there is currently no way to predict with certainty whether the existing state and local cannabis tax rates, which apply to the Company may increase. The tax regime that is applicable to the Company's business, regardless of where the Company is in its development, will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Company's expected business plan a futile endeavor. The Company is aware of and planning for the proposed tax structure imposed under MAUCRSA as part of its development plans in California.

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

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing

products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. Following guidance under the now rescinded Cole Memo, the Company is not planning on the export of cannabis products beyond California. In the event the Company expands into other U.S. jurisdictions, it plans to undertake no cross-border commerce between states until the federal regulatory environment permits such commerce to occur.

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

In February 2014, the Financial Crimes Enforcement Network (“**FinCEN**”) bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S., and may have to operate the Company’s U.S. business on an all-cash basis. The inability or limitation in the Company’s ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

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

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect the Company’s business.

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 simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the requirement for FDA approval if medical claims are made for the

Company's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the DEA. In that case, the Company may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Company's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Company's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the FDA, DEA, or any other regulatory authority determines that the Company's products may have potential for abuse, it may require the Company to generate more clinical or other data than the Company currently anticipates establishing whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product.

Some CBD is classified as a Schedule I controlled substance in the U.S. The DEA recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts".

In connection with the new drug code, the DEA has clarified that all CBD products derived from the parts of the cannabis plant that fall within the CSA's definition of "marihuana" are Schedule I controlled substances. However, CBD derived from parts of the cannabis plant that are excluded from the definition of "marihuana" under the CSA are not Schedule I controlled substances. The Company is presently unable to determine what the impact of this will be on its business.

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

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company'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 Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The Company's contracts may not be legally enforceable in the United States.

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

The Company may lack access to United States bankruptcy protections.

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a

bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Canadian investors in the Common Shares and the Company's Directors, officers and employees may be subject to travel and entry bans into the United States

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the United States has not changed the admission requirements in response to the pending legalization of recreational cannabis in Canada. Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to United States Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Company Directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company Directors, officers or employees, then this may reduce our ability to manage our business effectively in the United States. The Company has retained counsel and has policies in place to deal with any immigration-related issues as they may arise

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends or made distributions on its Common Shares during the past three financial years and through the date of this AIF. The Company has no present intention of paying dividends in the near future. It will pay dividends when, as and if declared by the Board. The Company expects to pay dividends only out of retained earnings in the event that it does not require its retained earnings for operations and reserves. There are no restrictions in the Company's articles of incorporation or bylaws that prevent it from declaring dividends. The Company has no shares with preferential dividend and distribution rights authorized or outstanding.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value, an unlimited number of series A non-voting preferred shares, an unlimited number of series B non-voting preferred shares and an unlimited number of series C non-voting preferred shares. As of the date of this AIF, there are 119,000,541 Common Shares and no preferred shares issued and outstanding. Holders of Common Shares:

- have one vote per share on election of each Director and other matters submitted to a vote of stockholders;
- do not have cumulative voting rights;
- have equal rights with all holders of issued and outstanding Common Shares to receive dividends from funds legally available therefore, if any, when, as and if declared from time to time by the Board; and
- are entitled to share equally with all holders of issued and outstanding Common Shares in all of our assets remaining after payment of liabilities, upon liquidation, dissolution or winding up of the Company's affairs.

MARKET FOR SECURITIES

Trading Price And Volume

On April 2, 2019 the Company began trading on the CSE under the trading symbol "IONC". Prior to the Blacklist Acquisition, the Company traded under the symbol "ZARA". The table below summarizes the range and volume of trading prices for each of the months stated:

Month	CSE Price Range (\$)		Total Volume
	High	Low	
January 2018	0.15	0.15	Nil
February 2018	0.23	0.08	954,890
March 2018	0.24	0.15	29,420
April 2018	0.135	0.105	120,150
May 2018	0.22	0.21	10,250
June 2018	0.17	0.12	36,551
July 2018	–	–	48
August 2018	0.20	0.135	141,926
September 2018	0.20	0.07	148,752
October 2018	0.09	0.09	527
November 2018	0.09	0.07	4,120
December 2018	0.07	0.07	331
January 2019	0.07	0.07	Nil
February 2019	0.07	0.07	Nil
March 2019 ⁽¹⁾	–	–	–
April 2019	0.90	0.54	36,776,010

Month	CSE Price Range (\$)		Total Volume
	High	Low	
May 2019	0.77	0.375	12,942,504
June 3 - 24, 2019	0.49	0.34	4,661,659

Note:

(1) On December 27, 2018, the trading in the Common Shares was halted in connection with the Blacklist Acquisition. The Common Shares resumed trading on April 2, 2019.

Prior Sales

During the financial year ended December 31, 2018, the Company issued no securities exercisable into Common Shares.

Subsequent to the financial year ended December 31, 2018, the Company issued the following securities exercisable into Common Shares.

Date of Grant	Class of security	Number of securities issued	Exercise price per security
May 16, 2019	Convertible Debenture Units ⁽¹⁾	19,759	See note 1 below.
May 16, 2019	Compensation Warrants ⁽²⁾	1,034	\$1,000
May 16, 2019	Finder's Warrants ⁽³⁾	62	\$1,000

Notes:

- (1) Each unit consists of (i) \$1,000 principal amount of 8.0% unsecured debentures convertible into common shares of the Company at a conversion price of \$0.75 per common share and maturing on May 16, 2022; and (ii) 1,333 Warrants. Each Warrant entitles the holder to purchase a Common Share at an exercise price of \$0.90 until May 16, 2022, subject to acceleration in certain circumstances.
- (2) Each Compensation Warrant entitles the holder to purchase one unit of the Company at an exercise price of \$1,000 until May 16, 2022.
- (3) Each finders' warrant entitles the holder to purchase one unit of the Company at an exercise price of \$1,000 until May 16, 2022.

ESCROWED SECURITIES

Upon closing of the Blacklist Acquisition, as required under the policies of the CSE, principals of the Company entered into an escrow agreement dated March 22, 2019 with Odyssey Trust Company as if the company was subject to the requirements of National Policy 46-201 – *Escrow for Initial Public Offerings*.

The table below includes the details of escrowed securities that are held by Odyssey Trust Company as of the date of this AIF:

Name of Securityholder	Designation of Class Held in Escrow	Number of Securities Held in Escrow	Percentage of Class
John Gorst	Common Shares	15,146,677	12.7%
	Warrants	2,167,200	16.5%

Name of Securityholder	Designation of Class Held in Escrow	Number of Securities Held in Escrow	Percentage of Class
Andrew Schell ⁽¹⁾	Common Shares	14,519,269	12.2%
	Warrants	2,167,200	16.5%
Bryen Salas	Common Shares	3,358,938	2.8%
	Warrants	1,717,200	13.1%
Christian Struzan	Common Shares	4,723,358	4.0%
	Warrants	1,807,200	13.7%
Austin Gorst	Common Shares	2,104,736	1.8%
	Warrants	1,717,200	13.1%
Total	Common Shares	39,852,978	33.5%
	Warrants	9,576,000	72.9%

Notes:

(1) 47,592 Common Shares are held by Sound Developers Group Inc., where Mr. Schell is the controlling shareholder.

An aggregate of 6,339,854 Common Shares of nine former shareholders of Blacklist are subject to a voluntary escrow agreement dated March 22, 2019 whereby 10% of the Common Shares were released upon completion of the Blacklist Acquisition, an additional 50% will be released four months after the completion of the Blacklist Acquisition and the remainder will be released eight months after the completion of the Blacklist Acquisition.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth information regarding the Company's Directors and executive officers. The term of office for the Directors expires at the Company's next Annual General Meeting.

Name, Province or State, and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation within the past five years
John Gorst ⁽²⁾ Tacoma, WA, USA	Chief Executive Officer and Director	March 22, 2019	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.

Name, Province or State, and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation within the past five years
Andrew Schell ⁽¹⁾⁽⁴⁾ Tacoma, WA, USA	President Chief Strategies Officer and Director	March 22, 2019	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.
Bryen Salas Tacoma, WA, USA	Vice President and Director	March 22, 2019	Co-founder and Vice President of Blacklist from July 2017 to March 2019; Vice President of Sales of Blacklist from December 2015 to July 2017
Christian Struzan Los Angeles, CA, USA	Chief Marketing Officer and Director	March 22, 2019	Founder of XS Brand Inc. from July 2014 to March 2019; CEO of XL Family of Companies from May 2002 to July 2014; Vice President of Armslength Promotions from March 2004 to February 2014.
Austin Gorst Portland, OR, USA	Vice President and Director	March 22, 2019	Co-founder of Blacklist from 2014 to March 2019; Sales Representative of InsynQ, LLC from April 2010 to October 2015.
M. Carroll Benton ⁽¹⁾⁽²⁾⁽³⁾ Corvallis, OR, USA	Director	March 22, 2019	Chief Financial Officer and Director of InsynQ, Inc. from August 1997 to 2015
Brian T. Lofquist ⁽¹⁾⁽²⁾⁽³⁾ Seattle, WA, USA	Director	March 22, 2019	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.
Scott Manson Scottsdale, AZ, USA	Chief Financial Officer	March 22, 2019	Managing Member of Greyzdorf LLC since May 2015; Director and CFO of Sprizzi Drink Co. 2012 to 2016.

Notes:

- (1) Member of Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) 52,880 Common Shares are held by Sound Developers Group Inc., where Mr. Schell is the controlling shareholder.

As of the date of the AIF, the Company's Directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control of direction over 44,759,837 Common Shares, representing approximately 37.6% of the issued and outstanding Common Shares.

The following are brief biographies of the above individuals:

John P. Gorst, Director and Chief Executive Officer, Age 50

Mr. Gorst is the Chief Executive Officer and a Director of the Company. Mr. Gorst has been CEO of Blacklist since April 2017. Prior to joining Blacklist, Mr. Gorst was CEO of InsynQ, Inc. for 17 years before that company was sold. Mr. Gorst 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. Mr. Gorst 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, Mr. Gorst 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. Mr. Gorst has employed a well-balanced executive-level team to achieve the goals and mission of Blacklist.

Mr. Gorst 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 the Company hopes will evolve into new product lines that will help establish the Company as a world-class leader in this industry.

Andrew W. Schell, Director, President and Chief Strategy Officer, Age 45

Mr. Schell is the Chief Strategies Officer and a Director of the Company. Mr. Schell has been the Chief Strategies Officer of Blacklist since September 2016. Previously, Mr. Schell 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.

Bryen J. Salas, Director and Vice President, Age 30

Mr. Salas is the President and a Director of the Company. He 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, Mr. Salas has served in crucial managerial roles, supporting the functions of Blacklist's supply chain, product development, marketing, human resources and technology.

Christian D. Struzan, Director and Chief Marketing Officer, Age 50

Mr. Struzan is the Chief Marketing Officer and a Director of the Company. Mr. Struzan 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. Mr. Struzan has expertise in electronic, mobile, and print media advertising.

As Chief Marketing Officer, Christian will lead the Company 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. Mr. Struzan 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.

Austin Gorst, Director and Vice President, Age 29

Mr. Austin Gorst is the Vice-President and a Director of the Company. He is a co-founder of Blacklist and has been active in the growth of the business since its inception in 2014. Mr. Gorst 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, Mr. Gorst resigned from his Account Executive role at InsynQ, Inc. and joined Blacklist as a full-time manager of the business. Mr. Gorst 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.

M. Carroll Benton, Director, Age 74

Ms. Benton is a Director of the Company and 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.

Brian Lofquist, Director, Age 61

Brian Lofquist is a Director of the Company and 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 espresso 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.

Scott M. Manson, Chief Financial Officer and Secretary, Age 59

Mr. Manson 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.

Mr. Manson 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 six not for profit organizations and is an advisor to numerous others.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than set out below, no Director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the Director or executive officer 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 Director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) 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 10 years before the date of this AIF, 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.

No Director or executive officer of the Company has been subject to:

- a) 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

- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a Director.

John Gorst acted as CEO of Gottaplay Interactive Inc. from September 2004 to April 2007. Mr. Gorst provided personal guarantees for the office space of Gottaplay Interactive Inc. and in 2009 Gottaplay Interactive Inc. was financially struggling. Mr. Gorst filed for bankruptcy protection under Chapter 7 of the Title 11 of the United States Code and was discharged in 2009.

CONFLICTS OF INTEREST

The Company's Directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the Directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the Directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. If a conflict of interest arises at a meeting of the Board, any Director in a conflict will disclose his interest and abstain from voting on such matter.

PROMOTORS

A "Promoter" is defined in the *Securities Act* (British Columbia) as a "person who (a) alone or in concert with other persons directly or indirectly takes the initiative of founding, organizing or substantially reorganizing the business of the issuer; or (b) in connection with the founding, organization or substantial reorganization of the business of the Company, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the Company's own securities or 10% or more of the proceeds from the sale of a class of the Company's own securities of a particular issue.

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company or of a subsidiary of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not, and was not during the most recently completed financial year, engaged in any legal proceedings and none of its property is or was during that period the subject of any legal proceedings. The Company does not know of any such legal proceedings which are contemplated.

Regulatory Proceedings

During the most recently completed financial year and during the current financial year, the Company is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this AIF, none of the Directors, executive officers or shareholders, owning or exercising control or direction over more 10% of the Common Shares, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected us or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's Registrar and Transfer Agent is Odyssey Trust Company, located at 323- 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of the date of this AIF, the only material contracts which the Company entered into within the most recently completed financial year, subsequent to the most recently completed financial year to the date of this AIF, or prior to the most recently completed financial year but which are still in effect are set out below:

- Share Exchange Agreement;
- Amalgamation Agreement; and
- Zoots Merger Agreement.

INTERESTS OF EXPERTS

Names of Experts

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

- Dale Matheson Carr-Hilton LaBonte LLP is the external auditor of the Company and reported on the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017, which are filed on SEDAR.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

Interests of Experts

Dale Matheson Carr-Hilton LaBonte LLP, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the 'CPABC Code of Professional Conduct' of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed management information circular available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2018.