

*This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities or a public offering of securities. No securities regulatory authority has expressed an opinion about the securities described herein and it is an offence to claim otherwise.*

## PROSPECTUS

NON-OFFERING PROSPECTUS

DATED APRIL 14, 2020

**CHRISTINA LAKE CANNABIS CORP.**  
Suite 810 - 789 West Pender Street  
Vancouver, British Columbia V6C 1H2

This non-offering prospectus (the “**Prospectus**”) is being filed with the British Columbia Securities Commission (the “**BCSC**”) for the purpose of allowing Christina Lake Cannabis Corp. (the “**Company**”) to comply with Policy 2 – *Qualifications for Listing* of the Canadian Securities Exchange (the “**CSE**”). The Company has made an initial application for a listing of its common shares (the “**Common Shares**”) on the CSE. The Listing is subject to the Company fulfilling all of the listing requirements of the CSE, including meeting all minimum listing requirements.

Since no securities are being sold pursuant to this Prospectus, no proceeds will be raised, and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company from its general funds.

There is currently no market through which any of the securities of the Company may be sold and holders of the Company’s securities may not be able to resell any such securities. This may affect the pricing of the Company’s securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities of the Company.

**An investment in the Company should be considered highly speculative and involves a high degree of risk. There is no guarantee that an investment in the Company will earn any positive return in the short or long term. An investment in the Company is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in the Common Shares.**

**No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

**There are certain risk factors associated with an investment in the Common Shares. The risk factors included in this prospectus should be reviewed carefully and evaluated by prospective purchasers of Common Shares. See “*Risk Factors*” and “*Forward-Looking Information*”.**

The registered and head office of the Company is: 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2

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## PROSPECTUS SUMMARY

*The following is a summary of the Company and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Capitalized terms are defined in the Glossary of Terms section of this prospectus.*

<p><b>The Company</b></p>	<p>The Company was incorporated under the BCBCA on October 26, 2014 under incorporation number BC1017343.</p> <p>On October 29, 2014, the Company entered into an arrangement agreement (the “<b>Riske Arrangement Agreement</b>”) with Riske Capital Corp. (“<b>Riske</b>”) in connection with a plan of arrangement, which was subsequently approved by the shareholders of Riske at a special meeting of shareholders held on December 1, 2014. On December 3, 2014, the British Columbia Supreme Court granted an order approving the Riske Arrangement Agreement. As a result of completing the transactions contemplated by the Arrangement Agreement, on December 3, 2014, the Company became a reporting issuer in each of the provinces of British Columbia and Alberta.</p> <p>On December 10, 2014, Riske transferred and assigned to the Company certain business contracts and assets of Riske and \$1,000 cash, in consideration for 396,600 Common Shares issued at a price of \$0.01 per Common Share of the Company (the “<b>Exchange Shares</b>”) and the Exchange Shares were subsequently distributed by Riske to all of its shareholders, such that the Riske shareholders became the controlling shareholders of the Company.</p> <p>On April 14, 2015, the Company, Anterior Education Holdings Ltd. (a newly formed subsidiary of the Company) (“<b>Anterior</b>”) and BHR Capital Corp. (“<b>BHR</b>”) entered into an arrangement agreement (the “<b>Anterior Arrangement Agreement</b>”).</p> <p>On April 30, 2015, the British Columbia Supreme Court granted an order approving the Anterior Arrangement Agreement, and as a result:</p> <ul style="list-style-type: none"> <li>(a) BHR purchased all 10,000 of Anterior’s issued common shares from the Company for \$10,000;</li> <li>(b) the Company issued 1,000 of its Common Shares in exchange for 396,600 common shares of Anterior; and</li> <li>(c) the Company distributed 396,600 common shares of Anterior to its shareholders resulting in Anterior becoming a stand-alone reporting issue in the provinces of British Columbia and Alberta.</li> </ul> <p>On January 29, 2015, the Company changed its name from “1017343 B.C. Ltd.” to “Cervantes Capital Corp.”</p> <p>On December 21, 2018, the Company changed its name from “Cervantes Capital Corp.” to “Christina Lake Cannabis Corp.”</p>
<p><b>Business of the Company</b></p>	<p>The Company has historically been a business development services company, seeking to provide services to new and emerging businesses. Prior to October 2018, the Company was relatively inactive and did not carry out any material business transactions. In early 2018, the Company began exploring the bio-medical, pharmaceutical and naturopathic sectors, which include medical and recreational cannabis. Canada is the only G7 country that has legalized cannabis for both medical and recreational purposes on a national level, allowing cannabis for retail sale across the country.</p> <p>The Company’s primary business currently consists of obtaining a Standard Cultivation License (an “<b>SCL</b>”) (obtained March 27, 2020, as further described below) and a Research and Development License (an “<b>RDL</b>”) from Health Canada and providing consulting services to Health Canada applicants and businesses licensed by Health Canada including outdoor cultivation and extraction companies. As a means to this end, the Company has developed a significant land position for its own outdoor cultivation, the development of genetic material, testing and third-party cultivation.</p>



The Company submitted an application for a SCL on February 15, 2019. On May 8, 2019, Health Canada announced that new applicants for licenses to cultivate, process or sell cannabis must have a fully built and completed site that meets all requirements at the time of application. Health Canada conducted a high level, preliminary review of the Company's application, which included items such as confirmation of site appropriateness, verification of security clearances for key personnel and local authority notifications among other items. Based on this review, Health Canada granted the Company high-level clearance on May 10, 2019 to proceed with its application and submit its final evidence package once facility construction is complete. The Company submitted its final evidence package to Health Canada on January 15, 2020. The Company was granted its SCL from Health Canada on March 27, 2020 and anticipates that it will commence outdoor cannabis cultivation on its wholly owned land in spring 2020.

The Company presently owns two parcels of land both of which the Company believes are highly-suitable for outdoor cultivation. The initial 32 acres of property (see "Land and Properties"), will accommodate up to 20 acres of outdoor cultivation for the 2020 growing season and will include all necessary infrastructure and office space. The Company purchased a 99 acre expansion property on September 26, 2019 which can accommodate an additional 80 acres of cultivation space. This brings the Company's total realty holdings to 131 acres of which 20 acres at Site 1 has already been prepared for outdoor cultivation commencing in the spring of 2020 subject to licensing, and of which an additional 80 acres are, in the Company's view, desirable for cultivation. The Company will develop, introduce and grow its own cultivars and sell its harvested cannabis through permissible channels, including directly through the provincial distributors. There are a number of other outdoor cultivators that have already applied to Health Canada for standard and micro cultivation licenses and it is the Company's belief that a number of currently licensed indoor cultivators are poised to move into the outdoor cultivation space, as recently announced by Emerald Health Therapeutics, WeedMD RX Inc., and 48North Cannabis Corp. As the legal framework for cannabis cultivation has previously only allowed for indoor or greenhouse production, with outdoor cultivation only being introduced and available since October 2018, there is an industry-wide lack of knowledge, skill and experience with outdoor cultivation and genetic material or strains suitable for outdoor cultivation.

Indoor cannabis strains are unsuitable for outdoor cultivation given they have a much longer flowering time under natural light conditions (vs. artificial lighting used in indoor cultivation), and lower tolerances to seasonal and general environmental factors (i.e. temperature, wind, hail and variable water supplies / rain).

The Company to date, has signed three agreements to provide cultivation, genetic, extraction and other consultation services to licensed businesses in Canada. The agreements are legally binding for a term of 18 months from signing. The Company will be paid a consulting fee for services rendered based on the scope of project, stages of development and timeline of deliverables. The Company will also be reimbursed for all proper and reasonable out-of-pocket expenses incurred in the performance of the services rendered. The agreements may be terminated by mutual consent of both parties. Upon termination of the agreement, no further consulting services are required and no monies are payable other than any unpaid project fees incurred up to the date of termination. The Company has not realized any revenue from any of these agreements to date.

The Company continues to advance discussions with other licensed businesses for its consulting services. In particular, the Company is in the final stages of negotiations with Speak Easy Cannabis Club ("**Speak Easy**"), located in Rock Creek, B.C., pursuant to which the Company would provide Speak Easy with outsourced quality assurance services prior to Speak Easy commencing outdoor cultivation activities (which such cultivation activities are currently anticipated to commence in the spring of 2020). It is expected that these services would involve the Company's microbiologist, Pinkel Diwan, providing quality assurance services to Speak Easy one or more days per week. The Company is also in the process of negotiating the provision of supercritical carbon dioxide extraction services to Speak Easy, and in consideration therefor, it is contemplated that Speak Easy would provide bulk, solvent based, extraction services to the Company, along with product development services, white labeled packaging, distribution and marketing services, pending the issuance of the Company's sale license from Health Canada. The Company believes the objectives of this relationship with Speak

Easy are multifaceted and are aimed at addressing the Company's immediate operational goals, as well as furthering the Company's overarching corporate/business development strategies. For instance, the provision of quality assurance services to Speak Easy may assist with increasing their production footprint. In addition, given the size and scale of the Company and Speak Easy's respective cultivation plans, the Company believes that the joint marketing of products could strengthen the Company and Speak Easy's market power, potentially disrupting pricing power currently enjoyed by provincial distributors, and may advance the generation of revenue by potentially shortening product development timelines and costs, while concurrently advancing the Company's distribution capabilities.

Until February 2020, the Company was also involved in negotiations with Thompson Health Products Ltd., ("**Thompson Health**") for the purposes of providing Thompson Health with various consulting services in 2020. However, in the course of these negotiations, the discussions have evolved as a result of potential synergies that have been identified between the companies; the negotiations are now focused on establishing a potential joint venture for product development, manufacturing and distribution, once the Company has obtained its Health Canada licenses.

In the second half of 2019, the Company commenced negotiations with Prairie Grass Inc. ("**Prairie Grass**") for the provision of various consulting and other services subject to licensing, however, these negotiations have not advanced since November, 2019 as a result of Prairie Grass focusing attention on licensing matters as it entered into the final stages of licensing with Health Canada. On February 14, 2020, Prairie Grass received a Health Canada license and as a result, the Company intends to canvas Prairie Grass' interest in re-commencing negotiations with the Company in March 2020.

Since 2018, the Company has been providing consulting services to Selkirk College on an informal, ad hoc basis as a courtesy to assist them in developing a cannabis cultivation education program. The Company has also been discussing the possibility of establishing a co-op work program with Selkirk College as part of the aforementioned educational program, however, this initiative is not likely to be further considered until 2021, as a result of the Company's current focus on operational planning and licensing imperatives.

The Company is also currently in the process of obtaining its RDL from Health Canada and submitted its application on August 13, 2019; it expects that it will be issued during the first quarter of 2020, based on the advice received from Cannabis Compliance Inc., its regulatory licensing consultants (see "*Products and Services*" and "*Business Objectives*"). RDL licenses are not site specific and can be applied to multiple properties. As all other Health Canada cannabis licenses are site specific, the Company has assembled a significant 131-acre land position (see "*Land and Properties*") in a region prime for the outdoor cultivation of cannabis.

The Company, through its research and development activities, aims to introduce outdoor specific cannabis strains into the legal market. The Company employs three master growers on a full-time basis with significant experience in breeding and cultivating plants under medical licence with genetic markers geared towards outdoor growth and producing greater cultivation yields and extraction yields under both pressurized and solvent based extraction processes. The Company intends to monetize its proprietary genetic strains through the sales of seeds and seedlings, and continue to advance its development of outdoor-focused cannabis strains once licensed, in addition to offering consulting services including cultivation and extraction consulting. See "*Description of the Business*".

<p><b>Business Objectives and Milestones</b></p>	<p>In early 2018, the Company focused its efforts on becoming a life sciences agricultural Company seeking to be involved in the cannabis industry. The Company’s primary business consists of obtaining a SCL (obtained March 27, 2020) and RDL from Health Canada, developing a significant land position for the Company’s own use as well as third party development, and providing consulting services to Health Canada applicants and businesses licensed by Health Canada.</p> <p>The Company has acquired 131 acres of industrially zoned agricultural land, of which 20 acres at Site 1 has already been prepared for outdoor cultivation, which it anticipates commencing in the spring of 2020. The Company has an additional 80 acres of cultivable space available for future development.</p> <p>The Company has employed industry-experienced master growers and processors, to oversee operations following receipt of its SCL and RDL. The aforementioned personnel are also used to support its consulting business</p> <p>The Company has no significant assets other than its properties, building, SCL and other intellectual property and cash generated from recent financings. As a result, the Company is in the development stage with no current material operating income, cash flow or revenues.</p> <p>The primary business objectives of the Company over the next twelve months are:</p> <ul style="list-style-type: none"> <li>• Receive SCL from Health Canada and commence outdoor cultivation on 20 acre plot of land (received SCL on March 27, 2020);</li> <li>• Receive RDL from Health Canada;</li> <li>• Seek listing on the CSE;</li> <li>• Commence generating revenue and cash flow from companies already under contract;</li> <li>• Complete negotiations to provide consulting services with new clients additional companies; and</li> <li>• Complete final Site preparation of the existing Property and Facility;</li> </ul> <p>See “<i>Description of the Business – Use of Available Funds</i>”.</p>
<p><b>Listing</b></p>	<p>The Company is applying to have its Common Shares listed on the CSE. Listing is subject to the Company fulfilling all of the requirements of the CSE. See page 1 of this Prospectus.</p>
<p><b>Use of Available Funds</b></p>	<p>As at March 31, 2020, the most recent month-end before the date of this Prospectus, the Company had an approximate consolidated working capital of \$1,586,426. For the year ended November 30, 2019, the cash used in (provided by) operating activity was \$1,062,194 (2018 - \$287,530).</p> <p>On October 12, 2018, the Company closed a non-brokered private placement and issued 19,416,994 units at a price of \$0.09 per unit for gross proceeds of \$1,747,525. Each unit consists of one Common Share and one Common Share purchase warrant; each such warrant entitled the holder to acquire one additional Common Share at a price of \$0.30 until October 12, 2019 and are now expired. The Company incurred cash finder’s fees of \$107,281.75 and issued 1,192,019 finder’s warrants; each finder’s warrant has the same terms as above.</p> <p>On October 22, 2018, the Company closed a non-brokered private placement and issued 5,000,000 units at a price of \$0.04 per unit for gross proceeds of \$200,000. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.09 until October 22, 2022.</p> <p>On October 29, 2018, the Company closed a non-brokered private placement and issued 6,627,061 units at a price of \$0.09 per unit for gross proceeds of \$596,435. Each unit consists of one Common Share and one warrant; each such warrant entitled the holder to acquire one additional Common Share at a price of \$0.30 until October 29, 2019 and are now expired.</p> <p>On November 2, 2018, the Company closed a non-brokered private placement and issued 2,000,000 units at a price of \$0.09 per unit for gross proceeds of \$180,000. Each unit consists of one Common Share and warrant; each such warrant entitled the holder to acquire one additional Common Share at a</p>

price of \$0.30 until November 2, 2019 and are now expired. The Company incurred cash finder's fees of \$5,668.25 and issued 56,000 finder's warrants; each finders warrant was exercisable at \$0.30 until November 2, 2019 and are now expired.

On April 26, 2019, the Company closed a non-brokered private placement and issued 11,490,000 units at a price of \$0.10 per unit for gross proceeds of \$1,149,000. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.20 until December 31, 2020. The Company incurred cash finder's fees of \$31,800 and issued 318,000 finders warrants; each finders warrant is exercisable at \$0.20 until April 26, 2020.

On June 1 2019, the Company granted stock options to certain directors and/or service providers to purchase up to an aggregate of 6,570,000 Common Shares of the Company. The options are exercisable at a price of \$0.09 until June 1, 2024. On November 27, 2019, 1,000,000 of the options granted on June 1, 2019 were cancelled.

On June 26, 2019, the Company closed a non-brokered private placement and issued 2,125,000 units at a price of \$0.10 per unit for gross proceeds of \$212,500. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.20 until June 26, 2020. The Company issued 148,750 finders warrants; each finders warrant is exercisable at \$0.20 until June 26, 2020.

On July 10, 2019, the Company issued 5,000,000 Common Shares at a price of \$0.04 in conjunction with certain employment contracts for consideration in the form of past services rendered to the Company. These Common Shares are subject to escrow.

On August 14, 2019, the Company granted stock options to certain directors and/or service providers to purchase up to an aggregate of 10,000 Common Shares of the Company. The options are exercisable at a price of \$0.20 until August 14, 2022.

On September 20, 2019, the Company closed a non-brokered private placement issued 12,125,000 units at a price of \$0.20 per unit for gross proceeds of \$2,425,000. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.40 until December 31, 2021. The Company incurred cash finder's fees of \$88,440 and issued 442,200 finders warrants; each finders warrant is exercisable at \$0.40 until September 20, 2020.

On October 17, 2019, the Company closed a non-brokered private placement and issued 4,587,597 units at a price of \$0.20 per unit for gross proceeds of \$917,519.40. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.40 until December 31, 2021. The Company incurred cash finder's fees of \$20,160 and issued 100,800 finders warrants; each finders warrant is exercisable at \$0.40 until October 17, 2020.

On December 13, 2019, the Company granted stock options to certain directors and/or service providers to purchase up to an aggregate of 1,540,000 Common Shares of the Company. The options are exercisable at a price of \$0.09 until December 13, 2024.

On January 27, 2020, the Company issued 604,110 Common Shares at price of \$0.09 in conjunction with an employment contract for consideration in the form of past services rendered to the Company.

On March 13, 2020, the Company closed a non-brokered private placement of unsecured convertible debentures ("**Convertible Debentures**") in the principal amount of \$1,795,000. The Convertible Debentures mature twenty-four months from the date of issuance (the "**Maturity Date**") and bear interest at the rate of 12.0% per annum. Prior to the Maturity Date, the holder has the right at any time during the period beginning on the date which the Convertible Debenture is issued (the "**Issue Date**") and ending on the date which is twelve (12) months following the Issue Date (the "**First Year Term**"), to convert the Convertible Debentures into conversion shares ("**Conversion Shares**") at the conversion price of \$0.20 ("**Conversion Price**"), and they shall receive interest payable in Conversion Shares that is an amount equal to the first year interest term (being 365 days x 12% interest on a non pro rata basis) on a non pro rata basis. Following the First Year Term, the Convertible Debentures and any accrued but unpaid interest will be convertible into Conversion Shares at the Conversion Price at the option of the Convertible Debenture holder. Each Conversion Share will consist of one (1) common share in the

	<p>capital of the Company. The Company incurred cash finder’s fees of \$86,700 and issued 433,500 finders warrants in connection with the non-brokered offering; each finders warrant is exercisable to acquire one Common Share at a price of \$0.20 until March 13, 2021.</p> <p>On March 24, 2020, the Company closed a non-brokered private placement of Convertible Debentures in the principal amount of \$815,000. The Convertible Debentures mature on the Maturity Date and bear interest at the rate of 12.0% per annum. Prior to the Maturity Date, the holder has the right at any from the Issue Date until the First Year Term, to convert the Convertible Debentures into Conversion Shares at the Conversion Price, and they shall receive interest payable in Conversion Shares that is an amount equal to the first year interest term (being 365 days x 12% interest on a non pro rata basis) on a non pro rata basis. Following the First Year Term, the Convertible Debentures and any accrued but unpaid interest will be convertible into Conversion Shares at the Conversion Price at the option of the Convertible Debenture holder. Each Conversion Share will consist of one (1) common share in the capital of the Company. The Company incurred cash finder’s fees of \$45,900 and issued 225,000 finders warrants in connection with the non-brokered offering; each finders warrant is exercisable to acquire one Common Share at a price of \$0.20 until March 13, 2021.</p> <p>On April 7, 2020, the Company closed a non-brokered private placement of Convertible Debentures in the principal amount of \$100,000. The Convertible Debentures mature on the Maturity Date and bear interest at the rate of 12.0% per annum. Prior to the Maturity Date, the holder has the right at any from the Issue Date until the First Year Term, to convert the Convertible Debentures into Conversion Shares at the Conversion Price, and they shall receive interest payable in Conversion Shares that is an amount equal to the first year interest term (being 365 days x 12% interest on a non pro rata basis) on a non pro rata basis. Following the First Year Term, the Convertible Debentures and any accrued but unpaid interest will be convertible into Conversion Shares at the Conversion Price at the option of the Convertible Debenture holder. Each Conversion Share will consist of one (1) common share in the capital of the Company. The Company incurred cash finder’s fees of \$6,000 and issued 30,000 finders warrants in connection with the non-brokered offering; each finders warrant is exercisable to acquire one Common Share at a price of \$0.20 until April 7, 2021. For a more detailed discussion on the Company’s available funds, see “<i>Use of Available Funds</i>” and “<i>Description of the Business</i>”.</p> <p>The Company will require funding from other sources to continue operations beyond the next year. Such additional funds would likely be raised through a private placement of securities. There is no assurance that such funding will be available.</p>
<b>No Offering</b>	<p>No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the BCSC (as hereinafter defined) for the purpose of allowing the Company to apply for listing on the CSE and to enable the Company to develop an organized market for its Common Shares (as hereinafter defined). Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.</p>
<b>Directors and Executive Officers of the Company</b>	<p>Joel Dumaresq – CEO, Interim CFO and Director  Nicco Dehaan – Director and COO  Jason Taylor – Director  Peter Nguyen – Director  Timothy O’Donnell – Corporate Secretary</p> <p>See “<i>Directors and Executive Officers</i>” for more information.</p>
<b>Risk Factors</b>	<p>The Company’s business is subject to certain risks, including but not restricted to risks related to limited operating history and expected continued operating losses, regulatory risks, government regulation, uninsurable risks, competitive risks, dependence on key management, additional funding requirements, conflicts of interest, dilution, volatility of publicly traded securities, discretion in the use of funds, influence of third-party shareholders and no history of dividends. See “<i>Risk Factors</i>”.</p>

<b>Summary Financial Information of the Company</b>	<b>Year Ended November 30</b>		
	2019	2018 (audited)	2017
<b>Statement of Comprehensive Loss</b>			
Total Revenues	(0.0)	(0.0)	(0.0)
Total Expenses	2,162,312	584,538	148,194
Net Income (Loss)	(2,162,312)	(584,538)	(176,944)
Net Income (Loss) per Share – basic and diluted	(0.04)	(0.05)	(0.04)
<b>Statements of Financial Position</b>			
Total Assets	6,202,790	2,333,922	8,022
Total Liabilities	421,467	73,325	23,898
Shareholder's Equity	5,781,323	2,260,597	(15,876)

## FORWARD LOOKING INFORMATION

This Prospectus contains certain “forward-looking statements” or “forward looking information” (collectively, “forward looking information”) within the meaning of Canadian securities laws. This forward-looking information relates to future events or future performance and reflects management’s expectations regarding the Company’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target” or the negative of these terms or other comparable terminology.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the Company and/or the Company and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- treatment under government regulatory and taxation regimes;
- expectations regarding the Company’s ability to raise capital;
- the listing of the Company Shares on the CSE;
- the Company’s business strategies, intentions to develop its business and operations, objectives and plans to pursue the commercialization of its products and services;
- the further development of the Company’s consulting business
- the Company’s estimates of the size of the potential markets for its services and products and the rate and degree of market acceptance of such services and products and its competitive positions in relation thereto;
- projections of prices and costs and the future market for the Company’s services products and conditions affecting same;
- expectations for expansion plans for the Facility and its costs;
- expectations of successful receipt of the RDL and SCL from Health Canada to produce and sell cannabis at such facility;
- the suitability of the Facility;
- expectations regarding production costs, capacity and yields of the Company’s business and growth thereof;
- estimates of the Company’s future revenues and profits;
- the Company’s anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company after the date of this Prospectus and thereafter; and
- liquidity of the Common Shares following listing of the Common Shares.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Prospectus:

- delays in generating revenue and cash flow from existing consulting contracts;
- timeframes and costs to achieve licensing under the *Cannabis Act* and Regulations;
- treatment under government regulatory and taxation regimes and potential changes thereto;
- limited operating history and negative operating cash flow;
- reliance by the Company on a single production facility and factors relating to the development of the Facility;
- expansion plans for the Facility being subject to Health Canada regulatory approvals;
- dependence on management and conflicts of interest;
- restrictions on marketing activities in the cannabis industry;
- competition for, among other things, customers, land and greenhouses, supply, capital, capital acquisitions of products and skilled personnel;
- consumer acquisition and retention;
- risks and liabilities inherent in cannabis and agricultural operations;
- unfavourable publicity or consumer perception;

- product liability and recall risks as well as general operating risks;
- environmental risks;
- availability of financing opportunities;
- risks relating to global financial and economic conditions;
- future liquidity and financial capacity; and
- other factors discussed under “*Risk Factors*”.

Consequently, all forward-looking statements made in this Prospectus and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See “*Risk Factors*”.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company.

Readers should not place undue reliance on the Company’s forward-looking information, as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking information will materialize. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws. For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking information in this Prospectus, see “*Risk Factors*”.

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled “*Risk Factors*”.

## **MARKET AND INDUSTRY DATA**

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications. We believe that this industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that their information has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

## **GENERAL DISCLOSURE INFORMATION**

The Company is not offering to sell securities under this Prospectus. An investor should rely only on the information contained in this Prospectus. No person has been authorized by the Company to give any information or make any representations in connection with the transactions herein described other than those contained in this Prospectus and, if given or made, any such information or representation must not be relied upon as having been authorized by the Company. The information contained in this Prospectus is accurate only as of the date of this Prospectus or the date indicated, regardless of the time of delivery of this Prospectus.

### **Definitions and Selected Abbreviations**

Various terms used in this Prospectus, including the cover pages, are defined under “Glossary”. Unless the context otherwise requires, use in this Prospectus of the “we”, “us” or “our” means the Company.



**Certain Information**

Unless otherwise indicated or the context otherwise requires, all dollar amounts contained in this Prospectus are in Canadian dollars \$. Aggregated figures in graphs, charts and tables contained in this Prospectus may not add due to rounding. Historical statistical data and/or historical returns do not necessarily indicate future performance. Unless otherwise indicated, the market and industry data contained in this Prospectus is based upon information from industry and other publications and the knowledge of management and experience of the Company in the markets in which it operates. While management of the Company believes this data is reliable, market and industry data are is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third-party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources.

Words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

## GLOSSARY OF TERMS

“**ACMPR**” means the former *Access to Cannabis for Medical Purposes Regulation* under the *Controlled Drugs and Substances Act* (Canada).

“**Affiliate**” means a company that is affiliated with another company as described below. A company is an Affiliate of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person. A company is “controlled” by a person if (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company. A person beneficially owns securities that are beneficially owned by (a) a company controlled by that person, or (b) an Affiliate of that person or an Affiliate of any company controlled by that person.

“**Anterior**” means Anterior Education Holdings Ltd.

“**Articles**” means the articles of the Company, as from time to time amended or restated;

“**Associate**” when used to indicate a relationship with a person or company, means (a) a partner, other than a limited partner, of that person, (b) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity, (c) an company in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the company, or (d) a relative, including the spouse, of that person or a relative of that person’s spouse, if the relative has the same home as that person.

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

“**BCSC**” means the British Columbia Securities Commission.

“**BHR**” means BHR Capital Corp.

“**Board**” means the board of directors of the Company.

“**CBD**” means cannabidiol.

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

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

“**Company**” means Christina Lake Cannabis Corp.

“**CSE Approval**” means the final approval of the CSE in respect of the listing of the Common Shares on the CSE, as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof.

“**CSE Policies**” means the rules and policies of the CSE in effect as of the date hereof.

“**CSE Shares**” Common Shares of the Company that were distributed to the shareholders of Riske Capital Corp., pursuant to the Riske Arrangement Agreement.

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

“**Cultivation Application**” means an application to obtain a standard cultivation license submitted to Health Canada.

“**Effective Date**” means the date on which the BCSC issues a final receipt for this Prospectus.

“**Escrow Agent**” and “**Transfer Agent**” means National Securities Administrators Ltd., at its Vancouver office located at suite 760 – 777 Hornby Street, Vancouver BC, V6Z 1S4.

“**Escrow Agreement**” means the escrow agreement dated April 14, 2020 among the Company, the Escrow Agent, and the holders of the Escrow Securities.

“**Escrow Securities**” means the Common Shares, options, warrants and other convertible securities held by the directors, officers and insiders and any of their spouses on the Listing Date that will be deposited or voluntarily deposited in escrow or a voluntary pooling arrangement pursuant to the Escrow Agreement or a voluntary pooling agreement, as applicable.

“**Facility**” means the Company’s Property, located at 775 Highway 395, Christina Lake, British Columbia, that meets all federal, provincial and municipal requirements for a cannabis facility.

“**GMP**” means good manufacturing practices.

“**Insider**” has the meaning ascribed to that term in the *Securities Act* (British Columbia), which includes the directors and senior officers of the Company or any subsidiaries of the Company and any person that has direct or indirect beneficial ownership of, or control or direction over, securities of the Company carrying more than 10% of the voting rights attached to the Company’s outstanding voting securities.

“**Listing Date**” means the date the Company’s Common Shares are listing for trading on the CSE.

“**MMAR**” means the former *Marihuana Medical Access Regulations* under the *Controlled Drugs and Substances Act* (Canada).

“**MMPR**” means the former *Marihuana for Medical Purposes Regulations* under the *Controlled Drugs and Substances Act* (Canada).

“**NI 51-102**” means National Instrument 51-102 *Continuous Disclosure Requirements*.

“**NI 52-110**” means National Instrument 52-110 *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

“**NI 58-201**” means National Policy 58-201 *Corporate Governance Guidelines*.

“**NP 46-201**” means National Policy 46-201 *Escrow for Initial Public Offerings* as published by the Canadian Securities Administrators.

“**Optionee**” means the holder of an Option.

“**Options**” means incentive stock options granted to the Company’s directors, officers, employees and consultants in accordance with the Stock Option Plan and rules and the CSE Policies.

“**Person**” means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual, or an individual.

“**Pooling Agreement**” means the agreement entered into between the Company, Steven Bowering, Nicco Dehaan, Timothy O’Donnell and Jason Taylor and National Securities Administrators Ltd. dated October 18, 2018.

“**Property**” means a 32 acre parcel of industrial zoned agricultural land in Christina Lake that was acquired by the Company on October 16, 2018.

“**Prospectus**” means this prospectus and any appendices, schedules or attachments hereto.

“**RDL**” means a research and development license issued from Health Canada.

“**Riske**” means Riske Capital Corp.

“**SCL**” means a standard cultivation license issued by Health Canada.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval ([www.sedar.com](http://www.sedar.com)).

“**Stock Option Plan**” means the 2020 stock option plan of the Company that provided for the grant of Options to the Company’s directors, officers, employees and consultants in accordance with the provisions of the Stock Option Plan and the CSE Policies.

“**SOP**” means standard operating procedures.

“**THC**” tetrahydrocannabinol.

## **CORPORATE STRUCTURE**

The following is a summary of some of the information contained in this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in the Prospectus. Unless otherwise defined in the Prospectus, all capitalized terms used herein shall have the meaning ascribed thereto under the heading “**Glossary**”.

### **Name and Incorporation of Company**

The Company was incorporated pursuant to the BCBCA on October 26, 2014 under incorporation number BC1017343 and on January 29, 2015, changed its name from “1017343 B.C. Ltd.” to “Cervantes Capital Corp.”. On December 21, 2018, the Company changed its name from “Cervantes Capital Corp.” to “Christina Lake Cannabis Corp.” The Company’s business address is Suite 810, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

### **Intercorporate Relationships**

The Company has no subsidiaries.

### **Plan of Arrangement with Riske**

On October 29, 2014, the Company entered into the Riske Arrangement Agreement among Riske, the Company and other parties in connection with a plan of arrangement, which was approved by the shareholders of Riske at a special meeting of shareholders held on December 1, 2014. On December 3, 2014, the British Columbia Supreme Court granted an order approving the Riske Arrangement Agreement and as a result of completing the transactions contemplated by the Arrangement Agreement, on December 3, 2014, the Company became a reporting issuer in the provinces of Alberta and British Columbia. Pursuant to the Riske Arrangement Agreement, and among other things, the Company issued a total of 396,600 Common Shares to the shareholders of Riske at a deemed price of \$0.01 per Common Share.

### **Plan of Arrangement with Anterior**

On April 14, 2015, the Company entered into the Anterior Arrangement Agreement among Anterior, the Company and BHR in connection with a plan of arrangement, which was approved by the shareholders of BHR at a special meeting of shareholders held on April 28, 2015. On April 30, 2015, the British Columbia Supreme Court granted an order approving the Anterior Arrangement Agreement and on June 10, 2015, the Company closed the arrangement and Anterior became a reporting issuer in the provinces of Alberta and British Columbia. Pursuant to the Anterior Arrangement Agreement, and among other things, the Company issued a total of 1,000 Common Shares to the shareholders of Anterior and distributed 396,600 Common Shares of Anterior to the Company’s Shareholders as a stock dividend at a deemed price of \$0.01 per Common Share.

## **DESCRIPTION OF THE BUSINESS**

### **Three Year History**

The Company has historically been a business development services enterprise, seeking to provide services to new and emerging businesses. However, the Company had been relatively inactive and did not carry out any material business transactions until October, 2018, when the Company acquired its Property, allowing it to enter the bio-medical, pharmaceutical, and naturopathic sectors which include medical and recreational cannabis. The Company’s current business consists of obtaining a SCL (obtained March 27, 2020) and RDL from Health Canada, developing a significant land position

for the company's own use as well as third party development, and providing consulting services to Health Canada applicants and businesses licensed by Health Canada.

On October 17, 2018, the Canadian Government introduced the *Cannabis Act*, which amongst other things, legalized cannabis for both medical and recreational purposes on a national level, allowing for cannabis retail sales across the country. It also introduced, for the first time, the licensing framework for outdoor cultivation, and licensing under research and development, nursery, and micro-cultivation.

On October 16, 2018, the Company completed the purchase of 32 acres of industrially-zoned agricultural land in Christina Lake, British Columbia, which it believes to be highly-desirable for the outdoor cultivation of cannabis. Christina Lake is situated in a prime cannabis cultivation climate and is in close proximity to many craft cannabis cultivators. The 32-acre Property has access to water and power, and is capable of supporting 20-acres of outdoor cultivation and associated infrastructure. The Property has received all the necessary municipal and provincial approvals for its intended use, and has facilities, which have been retrofitted to support activities under an RDL and SCL (see "*Land and Properties*"). The Property includes a building, which has been renovated to make it suitable for outdoor cultivation, research and development and related ancillary activities. The land is cleared, levelled and secured by fencing, with 20 acres suitable for immediate cultivation with water and power readily available. On September 26, 2019, the Company purchased an additional 99 acres of adjacent land and has already been issued a development permit: Site 1 - 775 Highway 395 RDKB Development Permit No. 598-18D (the "**Development Permit**") by the municipality authorizing cannabis production on the property subject to licensing by Health Canada. A summary of the material terms of the Development Permit is provided below:

- The Development Permit applies only to the following lands within the Regional District of Kootenay Boundary ("**RDKB**"), and any and all buildings, structures and other development thereon: Lot 2, DL 312, SDYD, Plan KAP39263.
- The Development Permit will lapse if construction is not commenced within two years of the date of the issuance of the permit.
- The permit holder has received approval from the RDKB to construct and develop the site in substantial compliance with the plans set forth in Schedule 2 to the Development Permit, including:
  - construction of a 20,000ft<sup>2</sup> steel-framed building to dry, process and store cannabis;
  - building would also include a laboratory for the testing of cannabis and manufacturing of various cannabis derivatives using a pressurized carbon dioxide extraction process on its own and in conjunction with a fractional still;
  - use of the existing building (3,000ft<sup>2</sup>) for a nursery for the propagation of seedlings;
  - cultivation cannabis outdoors on 22 acres (6 hectares);
  - installation of high security wire mesh fencing (8 feet tall chain link), vinyl fencing and exterior lighting at the access gate.
- Any additional work to buildings and/or the land not specifically authorized in the Development Permit may necessitate another development permit application.
- The construction and development approvals set forth above do not relieve the permit holder of the responsibility of adhering to all other legislation that may apply to the land.
- The land shall be developed strictly in accordance with the terms and conditions and provisions of the Development Permit.; and
- The Development Permit is not a Building Permit.

On February 15, 2019, the Company submitted an application to become a licensed cultivator and submitted its final evidence package to Health Canada on January 15, 2020. On March 27, 2020, the Company was granted its SCL from Health Canada, and it anticipates that it will commence outdoor cultivation activities in spring 2020

The Company employs three master growers on a full time basis that have extensive experience growing cannabis and developing genetic material under license in the same area that the Property is located.

On August 13, 2019 the Company submitted an application for an RDL to Health Canada. The Company is positioned to bring its expertise in outdoor genetics to the marketplace via third party genetic research and testing, sales of genetic material, provision of land for testing and cultivation, and general consulting activities to other licenced producers. The

Company’s initial geographic focus is on the Interior of British Columbia, due to its master grower’s familiarity with the region, its climate, localized production risks, genetic traits suitable for propagation in the region and regional market participants in general. It will look to expand its consulting activities by developing relationships across Canada and internationally with additional licensed businesses.

The Company’s personnel have developed relationships locally due to a long-term presence in the area, and they continue to develop relationships in a wider geographic area via attendance at trade-shows, industry events and networking within the industry community. There is widespread local support for the project within the Christina Lake community with the build out of the facilities providing substantial employment of local trades, and it is anticipated that once fully-operational, the RDL and cultivation businesses will generate dozens of local jobs.

## Products and Services

### *Outdoor Cultivation*

The introduction of the *Cannabis Act* in October 2018 instituted, amongst other things, the framework for outdoor cannabis cultivation (noting cultivation previously was confined to indoor operations).

The Company identified this trend towards outdoor cultivation, noting its cost advantages over indoor and greenhouse cultivation, as a market shift towards lower cost production and cannabis derivatives (i.e. oils and extracts). This is supported by a number of recent announcements from market incumbents, notably Emerald Health Therapeutics, WeedMD RX Inc., and 48North Cannabis Corp.

The Company submitted its SCL application on February 15, 2019 and is in the final stages of facility construction. The Company anticipates that the heating, ventilation and air conditioning installation will be complete by the end of May, 2020; security approvals were finalized on the date of licensing. On May 8, 2019, Health Canada announced that, effective immediately, new applicants for licences to cultivate, process or sell cannabis, for either medical or recreational purposes, must now have a fully built site and facility that meets the regulations when they submit their application. Previously, applicants did not require a fully built out site and facility in order to apply for a license.

This change in regulations by Health Canada aligns the cannabis licensing process with other federally regulated industries, such as the pharmaceutical industry and its Drug Establishment License, that require facilities to be built out prior to submitting an application. The changes are expected to speed up the time to license once an application is submitted.

The Company received high-level clearance of its Cultivation Application on May 10, 2019, meaning Health Canada reviewed its application, saw no critical concerns and indicated to the Company it is awaiting receipt of the evidence package for review once the facility is completed.

Cultivation will initially take place on 20-acres of the 32-acres comprising Site 1 that the Company purchased on October 16, 2018. The 32-acre Property is industrially zoned agricultural land in a prime outdoor cannabis cultivation region with all necessary infrastructure in place (i.e. power, water, and located off a main highway). As part of the land purchase, the Company acquired a cultivation building, which has been retrofitted. The purpose of the building is primarily for early stage plant growth prior to movement into full outdoor growth. Major improvements to the building include lighting, electrical, GMP compliant surfaces and office equipment and space, along with the other improvements detailed in the table below:

<b>Improvement Type</b>	<b>Cost (\$)</b>
Building improvements – Christina Lake	3,471,668
Well	29,681
EVTOH Ethanol Extraction machinery	1,000
Climate Control Storage (US\$40k)	53,980
Greenhouses	77,320
Pots	51,617
Furniture	11,797

The Company intends to grow multiple strains on the 20-acre cultivation plot and expects to produce 18,600 kilograms per annum of high THC flower on this 20-acre outdoor cultivation plot.

The Company will initially seek to sell directly to the provincial distributors and in the future, pending a CRA Cannabis License and Export/Import Permits, may seek to distribute its cannabis internationally to licensed businesses and duly authorized government agencies; at present, the Company anticipates seeking distribution in Germany and Denmark (based on the size of these medical markets in Europe), and may thereafter seek distribution opportunities in Southern Europe, potentially beginning in Malta, provided that legalization initiatives remain on track and on schedule, with a concurrent push into Central and Eastern European countries that have initiated plans to permit medical and/or recreational sales, but not production. The Company engaged the services of Cannabis Compliance Inc. (“CCI”), is a leading global cannabis consulting and compliance firm retained by the Company assist with its application and to guide, advise and prepare the Company for the design, development and construction of its facility under the RDL license, including but not limited to helping to develop facility design and floor layout, organizational security plan, quality assurance initiatives and Standard Operating Procedures (“SOP”) (see “Regulatory Consultants” below). The Company anticipates receiving the CRA Cannabis License in the third quarter of 2020, and the Import/Export permits in the fourth quarter of 2020, however, there can be no assurance that these licenses and permits will be obtained within this anticipated timeframe.

### *Research and Development*

The RDL allows the Company to conduct research into various aspects of climate specific outdoor cultivation methods, and the genetic development or breeding of new cannabis strains. In addition, the RDL will also allow the Company to begin commercial operations through the licensed sale of seeds and seedlings to licensed cultivators, nurseries and laboratories. The Company expects to begin commercial operations upon receipt of its RDL. The Company also holds a substantial land position in a region, prime for outdoor cannabis cultivation, which presents other commercial opportunities such as the leasing of land to licensed micro cultivators as well as micro cultivator applicants. Currently, licensed cultivators and cannabis companies contract third-party agencies and institutions to conduct much of their research and development work as they don’t have the capabilities, expertise or the proper licensing to carry out such activities on their own.

The Company submitted an application for an RDL on August 13, 2019 and anticipates the license will be issued by Health Canada in the next 30 to 60 days from the date of this Prospectus, which will allow the Company to commence licensed commercial operations noted above, at that time. This estimate is based upon advice the Company has obtained from CCI.

The Company has employed three industry-experienced master growers and two processors on a full-time basis to oversee operations following the award of an RDL and to further develop genetic material (see “Personnel – Cannabis Expertise” below). These master growers have extensive experience in the cannabis industry having operated under MMAR and ACMPR licenses prior to the legalization of cannabis on October 17, 2018. The ACMPR licenses permitted the cultivation of cannabis pursuant to certain license specific terms and conditions which include but are not limited to constraining the number of plants that can be cultivated under that license. Although the ACMPR Regulations have been repealed, such licenses nevertheless remain in effect through the operation of s. 158 of the *Cannabis Act*.

These personnel have specific experience in the location of the Company’s Property and have experience in developing specific genetic cannabis strains geared towards producing greater yields for outdoor cultivation as well as under pressurized and solvent based extraction processes. The Company additionally has a compliance officer and quality assurance manager that gained his experience in manufacturing drugs at a large generic manufacturer with a microbiology background on its team to assist with operations. The Company aims to introduce specific cannabis strains into the legal market as developed by its master growers under license. Aforementioned personnel will also be used to support the Company’s consulting business and may be incorporated in third-party development of its properties.

### *Genetic and Outdoor Cultivation Consulting*

Built off of its RDL, the Company has begun providing genetic and outdoor cultivation consulting services to several licensed producers in the industry. The Company will be developing specific outdoor cultivation methods and strains tailored to the harsher and less controlled nature of growing outdoors and will consult companies on the best way to set up an outdoor cultivation operation. Having a strain developed to thrive in a specific region and climate when growing outdoors can be the difference between success and failure for a crop. Some factors to consider when setting up outdoor cultivation include: (i) planting and harvest date; (ii) temperature volatility in the region; (iii) days of sun and rain in the region or light cycle; (iv) humidity; (v) germination and soil; (vi) pest control; (viii) security; and (ix) flowering time. Additionally, there are a number of consulting services the Company is providing to licensed businesses or Health Canada applicants prior to receiving an RDL such as: (i) genetic selection and sourcing; (ii) development of growing method and plan; (iii)

development of SOP's; (iv) financial modelling and resource planning; and (v) business planning. The Company has not generated any revenue from its outdoor cultivation consulting services.

The Company to date has signed three agreements to provide cultivation, genetic, extraction and other consultation services to licensed businesses in Canada. These companies are involved in the cannabis industry in differing capacities, but all are wishing to expand their operations to include outdoor cultivation. The agreements stipulate the scope of work to be completed and the stages and due dates for each. The scope of work includes items such as: (i) assessment of outdoor cultivation location and site; (ii) identify risks and form strategies to mitigate those risks; (iii) aid in genetic selection for outdoor cultivation tailored to that specific area; (iv) provide nutrient programs for outdoor cultivation; (v) recommend appropriate soil, plot design, irrigation systems and cultivation methods suitable for project layout and design; (vi) aid in design of the facility for mothering, breeding and clone rooms and drying (vii) provide vendor contacts for all materials needed; (viii) provide expertise in extraction; and (ix) help navigate Health Canada regulations. The agreements are legally binding and have a term of 18 months from signing. The Company will be paid a consulting fee for services rendered based on the scope of project, stages of development and timeline of deliverables. The Company will also be reimbursed for all proper and reasonable out-of-pocket expenses incurred in the performance of the services rendered. The agreements may be terminated by mutual consent of both parties. Upon termination of the agreement, no further consulting services are required and no monies are payable other than any unpaid project fees incurred up to the date of termination. The Company has not realized any revenue from any of these agreements to date, and there are no outstanding fees due to the Company. The Company continues to advance discussions with other licensed businesses in Canada and abroad to provide genetic and cultivation services.

There are a number of outdoor cultivators that have already applied to Health Canada for standard and micro outdoor cultivation licenses in the Health Canada application pipeline, and it is the Company's belief that a number of currently licensed indoor cultivators are poised to move into the outdoor space, as recently announced by Emerald Health Therapeutics, WeedMD RX Inc., and 48North Cannabis Corp. In an article in the August 7, 2019 Financial Post newspaper, it was reported that since the first outdoor cultivation license was granted to Good Buds Inc. of Saltspring Island, British Columbia, 13 additional outdoor licenses have been granted. Recipients include WeedMD RX Inc., Canopy Growth Corp, Aleafia Health Inc, 48North Cannabis Corp. and Aurora Cannabis Corp.

Given that the legal framework for cannabis cultivation has been focused on indoor or greenhouse, there is an industry wide lack of experience in outdoor cultivation methods and genetic strains suitable for such cultivation. The Company employs three master growers on a full time basis with decades of combined experience growing cannabis and developing genetic material in the same area that the Facility and Property are located.

As a result, management believes the Company has the knowledge, skills and proven experience to develop unique genetic strains of cannabis specifically suited for outdoor cultivation. To date, the industry has been driven by indoor growth with cannabis strains specifically developed for indoor growth. The Company's personnel have experience breeding and cultivating plants with genetic markers geared towards outdoor growth. The Company believes its personnel's experience in outdoor cultivation in the region will be not only a differentiating element compared to other companies but also a competitive advantage. Indoor cannabis often has a much longer flowering time under natural light conditions, making it unsuitable for outdoor cultivation. Further, indoor cannabis has much lower tolerances to changes in temperature, disease, wind and variable water supplies, resulting in a lack of expertise as the industry moves towards outdoor cultivation since legalization, due to its significant cost advantages.

The Company is positioned to bring its expertise in outdoor genetics to the marketplace via third party genetic research and testing, sales of genetic material, provision of land for testing and cultivation, and general consulting activities aided by a quality assurance manager that gained his experience in manufacturing drugs at a large generic manufacturer with a microbiology background to other licenced businesses. The Company's initial geographic focus is on the Interior of British Columbia, due to its master growers' familiarity with the region, its climate, localized production risks, genetic traits suitable for propagation in the region and regional market participants in general. It will look to expand its consulting activities by developing relationships across Canada and internationally with additional licensed businesses. The Company's personnel have developed relationships locally due to a long-term presence in the area and they continue to develop relationships in a wider geographic area via attendance at trade-shows, industry events and networking within the industry community.

As of April 24, 2019 Health Canada had issued a total of 173 cannabis licenses. This number grew to 189 by July 12, 2019. With new licenses being granted at an increasing rate, the Company believes genetic and consulting services will see an increase in overall demand as companies look to establish distribution channels, realize efficiencies and differentiate themselves. Additionally, Health Canada data shows that cannabis prices in Canada have been steadily declining since 2013, which the Company believes will be a positive catalyst to cultivating outdoors as producers seek to lower the cost of cultivation.



## **Business Objectives and Goals**

To date, the Company has expended approximately \$5,700,000 on property acquisitions and infrastructure development and corporate overhead.

The Company currently has \$1,879,658 in available funds to advance its business objectives and in the next twelve months the Company expects to:

1. Receive its SCL

The Company submitted its SCL application on February 15, 2019. Despite the rule changes made by Health Canada on May 8, 2019 requiring applicants to have a fully built out site in order to apply for a license, the company's Cultivation Application was nevertheless allowed to proceed in light of the significant construction progress achieved prior to May 8, 2019 and the comprehensiveness of the application filed on February 15, 2019. As such, the company received a High Level clearance on May 10, 2019 indicating that Health Canada identified no substantive issues with the Cultivation Application and that it is ready to review the company's evidence package as soon as construction is completed. The Company has completed a retrofit of a 6,000 square foot building to be used for plant stock cultivation, storage, and jointly for research and development purposes. The Company submitted its final evidence package to Health Canada on January 15, 2020 and on March 27, 2020, the Company was granted its SCL from Health Canada.

The Company anticipates that it will commence outdoor cultivation in time for the 2020 growing season. The total expected remaining cost to complete this initiative including, security, greenhouse and nursery equipment and soil and land preparation is \$967,794.

2. Begin Outdoor Cultivation

There were no additional costs associated with submitting the final evidence package to Health Canada to obtain the SCL to enable the begin planting and outdoor cultivation in Spring of 2020. Based on industry standard cultivation and harvest cycles, and subject to receipt of all necessary licenses, the Company expects to commence commercial sales in September 2020.

3. Receive RDL

The Company submitted its RDL application to Health Canada on August 13, 2019 and expects to receive its license in the next 30 to 60 days at which point the Company will commence operations permitted under the RDL.

Operations will include genetic research and testing, development and sale of genetic material and research of specific outdoor cultivation methods and development of strains the have characteristics suited to outdoor cultivation. As the Company has already submitted its application, it does not expect to incur any additional costs towards completing this initiative. Any unforeseen additional costs will be covered with unallocated working capital.

4. General & Administrative Expenses and Unallocated Working Capital

The Company anticipates that its general and administrative expenses, including legal and listing costs to be \$700,000 (details of which are further described in "*Use of Available Funds – General and Administrative Expenses* below) and its unallocated working capital to be \$211,864

## **Land and Properties**

In order to enable the research and development, consulting and cultivation aspects of the business, it is essential to develop a physical footprint. The Company has assembled a significant 131-acre land position and has secured a right of first refusal for an additional 200 acre parcel of land in a region prime for the outdoor cultivation of cannabis, which it will offer to third parties for sole or joint-venture development. The regional climate is well documented for favourable outdoor cannabis cultivation conditions.

Christina Lake is situated in a prime cannabis cultivation climate and is in close proximity to many craft cannabis cultivators. On October 16, 2018, the Company acquired 32 acres of industrially-zoned agricultural land which it believes to

be highly-desirable for the outdoor cultivation of cannabis. The land and associated buildings (as described below) were purchased from Stella-Jones Inc. (formerly Stella-Jones Canada Inc.) through an arm's length sale for the sum of \$863,505. The Property's existing infrastructure includes a 6,000 square foot steel framed building, which has been retrofitted for offices, personnel rooms, as well as a cannabis propagation room and a cultivation room. The Property meets all provincial, municipal and federal requirements for licensing, and is compliant with all applicable municipal and provincial laws having obtained the required development and building permits from the Regional District of Kootenay Boundary.

On February 22, 2019, the Company entered into an arm's length purchase agreement with Ponderosa Estates Ltd. to acquire an adjacent 99-acre parcel of industrially zoned agricultural land for the sum of \$600,000 utilizing cash and current working capital. This purchase closed on September 26, 2019 and a development permit has already been issued to the Company by the municipality authorizing the development of up to 80 acres of the property for cannabis production.

## **Personnel**

The Company entered into employment agreements with Messrs. Jason Taylor, Nicco Dehaan, Steven Bowering and Timothy O'Donnell. The Company has entered into a consulting agreement with Mr. Pinkal Diwan.

Messrs. Dehaan, Bowering and O'Donnell are experienced master growers and cannabis processors and Mr. Taylor is an experienced barrister. Mr. Dumaresq was appointed Chief Financial Officer, however, following the resignation of Arie Prins as the Company's Chief Executive Officer, Mr. Dumaresq has now been appointed Chief Executive Officer and interim Chief Financial Officer. Mr. O'Donnell was appointed as the Corporate Secretary, Mr. Dehaan was appointed Chief Operating Officer and Mr. Taylor is a director of the Company. As Chief Executive Officer, Mr. Dumaresq will oversee the day-to-day operations of the Company. Mr. Jason Taylor will oversee all aspects of the development and potential operation of the Facility. Mr. Nicco Dehaan will be responsible for overseeing all of the Company's potential cultivation activities (along with Steven Bowering) and processing operations, as well as the Company's intended expansion of the Facility and together with Mr. Taylor, they will collectively oversee and manage the provision of consulting services; and Mr. Timothy O'Donnell will be responsible for managing all aspects of potential extraction activities. All will report directly to the Board.

Mr. Pinkal Diwan holds the Indian equivalent of a Canadian Bachelor of Science degree from Gujarat University and has over 18 years' experience in quality assurance and good manufacturing practices in the healthcare industry. Since September 2016 Mr. Diwan has been employed as a Quality Assurance Supervisor and RPIC ("Responsible Person in Charge") at Accuristix, a leading Canadian third party service provider delivering logistics solutions to the healthcare industry.

The employment agreements dated October 16, 2018, between the Company and individually, Messrs. Taylor, Dehaan, Bowering and O'Donnell, provided for the payment of \$60,000 per annum in salaries, reimbursement of reasonable expenses and one-time signing bonuses of \$50,000 per person. Pursuant to the employment agreements, which contain industry standard terms and conditions, each person is entitled to six months' notice for termination without cause, and in the case of a change of control, each person is entitled to one year's salary and any unpaid bonuses and expenses. Salaries are to be reviewed annually by the Board. Each of the employment agreements also contains non-disclosure terms and a non-compete clause limiting each individual working in competition with the Company for a period of one year following termination of employment for any reason. As an added incentive, the Company also allowed Messrs. Taylor, Dehaan, Bowering and O'Donnell to participate in a private placement whereby each individual acquired 1,250,000 units at a purchase price of \$0.04 per unit. Each unit is comprised of one Common Share and one half of one Common Share purchase warrants having an exercise price of \$0.09 per warrant. Such warrants are exercisable until October 21<sup>st</sup>, 2022. The Common Shares and any Common Shares acquired pursuant to the exercise of the warrants are subject to a voluntary pooling arrangement and will be further subject to escrow restrictions. See "*Escrowed Securities and Securities Subject to Contractual Restriction on Transfer*" herein for more details.

## **Personnel – Cannabis Expertise**

The title of Master Grower indicates that the Company believes the relevant individual has a proven knowledge and verifiable experience of: (i) horticulture; (ii) plant growth structure and function, including genetics and climate impacts on plant development; (iii) propagation and crop cycles; (iv) maintaining plant health; and (v) growing methods, transplant and plant care for cannabis.

*Nicco Dehaan – Master Grower, COO and Director*

For Mr. Dehaan’s biography and experience see “*Management of Junior Companies*” below. Mr. Dehaan has been cultivating medical cannabis under licence for the past five years, working closely with Mr. Bowering.

*Steve Bowering – Master Grower*

Mr. Bowering supervises CL Cannabis’ cultivation efforts serving as a Master Grower and is responsible for leading the company’s breeding and cross breeding programs. Mr. Bowering has seven years of intensive experience in horticulture and has gained specialized expertise with various cultivation methods, grow facility design and operations in part as a result of his work with Mr. Dehaan cultivating medical cannabis under license. This experience has enabled Mr. Bowering to consistently improve cultivation yields and quality while reducing operational costs by realizing efficiencies through continuous design and process improvements.

*Timothy O’Donnell – Extraction Manager*

Mr. O’Donnell oversees the Company’s processing and extraction efforts. Mr. O’Donnell sold his oilfield services business of 29 years in 2012. Since then, he has worked as a business consultant to a number of oilfield related companies. Mr. O’Donnell has no historical, direct cannabis industry experience prior to his involvement with the Company but the technical processes utilized in the oil and gas sector regarding solvency and extraction techniques are directly relevant and comparable processes utilized in the cannabis sector.

## **Regulatory Consultants**

On October 23, 2018, the Company entered into a service agreement with the leading global compliance firm in the cannabis sector, Cannabis Compliance Inc. (“CCI”). Under the terms of the agreement, CCI will guide, advise, and prepare the Company for the development and construction of its facilities under federal cannabis licensing. CCI will prepare and submit the application for the Company to obtain an RDL. In addition to the RDL, on February 15, 2019, CCI assisted the Company with submitting an application for a SCL.

Pursuant to the service agreement, the total costs and fees payable to CCI were \$251,850.00 (including GST). CCI and the Company are not related parties.

Among other services, CCI has been engaged to assist in the site and floor plan for the Company’s Facility, develop a security plan and physical security design, develop standard operating procedures (SOPs), ensure good production practices (GPP Compliance) and good manufacturing practices (GMP compliance), and assist in the education and recruitment of key personnel (if required).

As Health Canada no longer provides a “ready to build” letter or authorization ahead of Facility construction, this means the Facility needs to be completed during the application review period (see “*Research and Development License Application Process*” below). The use of a regulatory consultant such as CCI helps to reduce unnecessary delays and expenditures.

## **Cannabis Classes and Subclasses of Licenses**

Health Canada offers various licenses based on cultivation (Standard and Micro-Cultivation, and Nursery), making products (Standard and Micro-Processing), selling (Sale for Medical Purposes), testing (Analytical Testing) and research (Research and Development).

The Company applied for a SCL which will allow for federal and medical cannabis sales and distribution on February 15, 2019. The Company is building out its site and filed its final evidence package to Health Canada on January 15, 2020, and it received its SCL on March 27, 2020 and it anticipates that it will commence outdoor cultivation in time for the 2020 growing season. The Company will grow outdoors on its wholly-owned land. The Company has engaged regulatory consultants CCI (see “Regulatory Consultants” above) to reduce cost and time to license and ensure all Health Canada requirements are met.

An RDL will authorize a Company to develop genetics (both cannabis and hemp) for the production of seeds, seedlings and clones. The plant genetics can then be supplied/sold, as plants or seeds, to any other type of licence holder. Related activities such as possession, research and development, storage and sale will also be permitted. Cultivation for research purposes can

be achieved either indoors (greenhouse, warehouse) or outdoors. Additionally, it allows the Company to buy plants and seeds from other license holders (cultivation or nursery).

While the RDL does permit for the cultivation of cannabis it does not permit the sale of finished product (e.g., dried flower) for commercial resale to the public. As a result, physical security requirements have been greatly reduced compared to other cultivation licenses (Micro, Standard).

An RDL can be combined or stacked with all other license types (cultivation, processing, sales and analytical testing). The Company submitted its application for an RDL on August 13, 2019 and expects to receive that license in the first quarter of 2020, at which point it will commence licensed operations permitted under the RDL.

There are some significant differences between RDLs and the other cannabis licenses issued by Health Canada which are also reflected in Health Canada's licensing process. As a result of these differences, the Company considers the licensing process for RDLs to be less onerous than for the standard license application which results in a much shorter processing time for Health Canada to review, process and issue such licenses.

Unlike other Health Canada cannabis licenses for example, the RDL is not necessarily site specific as research activities can be carried out at multiple locations and to the best of the Company's knowledge, only three such licenses have been issued. As the RDL does not permit the sale or trade of dried cannabis flower while permitting the sale of starting materials such as seeds, as well as the research itself and any IP rights flowing therefrom, the required physical security measures are reduced and are more focussed upon ensuring appropriate inventory control, including destruction of plants when required.

The greatest difference between these license classes, however, is the research proposal itself. An RDL application requires the submission of a research proposal, including clinical protocols and Health Canada's license review is more focussed upon the research proposal itself and ensuring the appropriate processes, equipment and qualified quality assurance staff are included in the application. That is why the Company retained the services of a qualified microbiologist in 2018, prior to the filing of its Cultivation Application, as the Company determined it would embark upon such research in 2018, although it was unclear at that time under which Health Canada License the research would take place.

### **Health Canada License Application Process**

All cannabis licenses require extensive paperwork and presentation to Health Canada, including (but not limited to); security clearances, notices to local authorities, professional floor plan, security plan, site survey, SOP within a GPP framework, and in this case the GMP framework as well in addition to various quality and administrative reports.

The application process for the SCL and RDL are the same, only the requirements are less onerous for an RDL than a SCL. Some of the main differences in requirements from a SCL application and an RDL are that an RDL does not require an organizational security plan, site survey, aerial view of the proposed site, and the physical security requirements are less stringent. Administratively, once the application is submitted, it progresses through the following steps: Application Screening, Review and Security Clearance, Pre-Licensing and Approval Process, and Issuance of License.

- Application Screening
  - During screening, the application and attached documents are assessed for completeness, legibility and ability to be further assessed.
- Review and Security Clearance
  - Once an application has passed the screening stage, and security clearance applications are being processed, the application will undergo a detailed review to verify that the requirements are met. Health Canada will work with the RCMP on security clearance applications.
- Pre-licensing and Approval Process
  - Once Health Canada completes the detailed review of the submitted application, it will provide the applicant with a confirmation of readiness email. This email will prompt the applicant for information to demonstrate that there is a functioning facility/building at the site address. The applicant will be required to provide a site evidence package with documentation including, but not limited to: detailed video walkthroughs of both the interior and exterior of the site and site and building plans, including descriptions and photographs that clearly detail facility completion.

- Following the review of this information, an on-site pre-license inspection by Health Canada inspectors may be deemed necessary prior to further licensing decisions. In the case where an on-site pre-license inspection is not required, the license issuance will be based on the thoroughness of information found in the site evidence package. As the regulatory requirements for each license type varies, so do the requirements for the site evidence package. When an applicant reaches this stage in the application process, they will be informed of what specific information is required.
- Issuance of License
  - Once all information has been reviewed, including the results and observations from a pre-license inspection, if necessary, and all security clearances have been granted, an initial license for authorized activities is issued. A hard copy of the license as well as an accompanying issuance letter detailing any conditions around the issued license is sent. In addition, all security-cleared key personnel are sent letters regarding the status of their security clearances for that site, under that application. Following issuance of the license, Health Canada holds a teleconference with the new license holder to discuss the license, including any conditions.
  - If the Company is successful in obtaining its Licences, Health Canada will inspect the facility on a regular (usually monthly) basis to ensure compliance in all areas covered within the Cannabis Regulations for the specific licence.

## **Operating Revenue**

The Company has not generated any material operating revenue since inception other than interest income from time to time. Management anticipates that the Company will continue to experience net losses as a result of ongoing capital expenditure costs associated with the development and eventual expansion of the Facility and general corporate and administrative costs and expenses until such time as revenue-generating activities are enhanced. The Company's future financial performance is dependent on many external factors. Circumstances and events that could materially affect the Company's future financial performance are set out in "*Risk Factors*" below.

## **Market Information and Trends**

### *Use of Cannabis*

Cannabis is a preparation of the leaves and flowering tops of cannabis sativa, the hemp plant, which contains a number of pharmacologically active compounds (cannabinoids).

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as tetrahydrocannabinol ("**THC**") and cannabidiol ("**CBD**"), as medical therapy to treat disease or alleviate symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

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

Topical cannabis encompasses herbal medicines that are applied directly to the skin or muscles. They include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. However, unlike smoking, vaporizing or eating the medical cannabis, topical products are generally non-psychoactive.

### *Trends*

The adoption of Cannabis Regulations on October 17, 2018, has legalized the recreational use of cannabis in Canada. Legalization (*Cannabis Act*) at a federal level will open the door to investment, innovation and more opportunities. It will also relax restrictive tax policies and allow banks to deal with the cannabis industry as with other industries.

The target market for cannabis is for individuals aged over 18 or 19 years old, depending upon the consumer's province of domicile. Individuals that suffer from a wide variety of ailments may achieve symptomatic relief with cannabinoid therapy. Thus, the target market for cannabis is broad, being used across the population and across all socioeconomic and age groups, in particular.

Legalization of cannabis is driving growth of the market, during the first quarter of 2019, 646,000 cannabis users reported trying cannabis for the very first time in the past three months. This number of first-time users was nearly double the corresponding estimate of 327,000 people one year earlier, when non-medical cannabis use was not yet legal.<sup>1</sup>

Also driving growth is the fact that more and more people are buying their cannabis from legal sources. An estimated 47% of cannabis users or 2.5 million Canadians obtained cannabis from legal sources in the first three months of 2019, compared with 23% or 954,000 people over the same period in 2018.<sup>2</sup>

Demand for medical cannabis in Canada is growing quickly. According to data from Health Canada, the number of medical cannabis patients registered with Health Canada had reached 354,538 by the end of March 2018. By 2024, Health Canada estimates that the number of patients using medical cannabis will grow to 450,000, creating a market worth an estimated \$1.3 billion. If medical and adult use legalization continues to foster the development, research, and innovation of legal cannabis products and brands, the supply and demand of cannabis extracts is expected to grow.

In terms of market size, the legal cannabis industry has been growing at a rapid rate, largely driven by growing social acceptance, legalization and changing laws and regulations worldwide. Statistics Canada reported that the size of the Canadian cannabis industry in 2017 was \$3.0 billion – on par with the beer industry and larger than the tobacco industry.

Cannabis consumers increasingly want a variety of products offered at reasonable prices from reputable suppliers that can vouch for the safety and origin of their products. Edibles and extracts are growing in popularity in the US and outpacing flower sales, as consumers want a more discreet way to consume cannabis and prefer smokeless products. With new federal regulations coming into effect on October 17, 2019 allowing the sale of edibles, beverages, creams, vaporizer pens, oils and extracts, and with cannabis oil the preferred raw ingredient for all the aforementioned and other end use products, extraction capabilities, research and development services and consulting are expected to be in high demand.

Within the short period of legal adult use, these increasing cannabis sales and further steps toward industry regulation and legalization have prompted a push toward increasingly bigger waves of investment and innovation in the cannabis industry. There is also a strong opportunity for products, brands, research, and related services that will complement the cannabis market. The Company seeks to leverage its operational expertise, industry knowledge, and assets to capitalize on the so-called “green-rush” in a regulated cannabis industry. Medical cannabis opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved medical cannabis systems. As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

## **USE OF AVAILABLE FUNDS**

### **Proceeds**

This is a non-offering prospectus. No proceeds will be realized by the Company under this Prospectus.

### **Funds Available**

The Company has historically relied upon equity financings to satisfy its capital requirements and may require further equity capital to finance its development, expansion and acquisition activities moving forward.

As at November 30, 2019 (the end of the most recently completed annual financial period) the Company had negative cash flows from operations. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained. The working capital position of the Company as at March 31, 2020, was \$1,586,426 and it currently has \$1,879,658 in Available Funds.

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<sup>1</sup> StatsCan

<sup>2</sup> StatsCan

Management anticipates applying the Available Funds in the following manner over the next twelve months. It is anticipated that the Available Funds will be sufficient to achieve the Company's objectives and milestones over the next twelve months:

<b>Use of Funds</b>	<b>Funds to be Expended (\$)</b>
Cultivation Building, Security and Land Preparation	\$967,794 <sup>(1)</sup>
General & Administrative Expenses, including legal and listing costs	\$700,000 <sup>(2)</sup>
Unallocated Working Capital	\$211,864
<b>Total</b>	<b>\$1,879,658</b>

Note: (1) See "Use of Available Funds – Business Objectives and Milestones" below.  
(2) See "Use of Available Funds – General and Administrative Expense" below.

A detailed summary of the allocation of the Available Funds for the cultivation building, security and land preparation is as follows:

<b>Use of Funds for Cultivation Building, Security and Land</b>	<b>Funds to be Expended (\$)</b>
<u>Cultivation Building:</u>	
1. Storage and Dry Rooms	\$440,000
2. Drying Equipment	\$79,800
3. Engineering and Retrofit	\$70,000
4. Nursery and Equipment	\$71,594
<u>Security</u>	
1. Cameras, Wiring and Security Station	\$156,400
2. Fencing	\$40,000
<u>Land Preparation</u>	
1. Soil Medium and Land Smoothing	\$ 110,000
<b>Total</b>	<b>\$967,794</b>

The Company intends to spend the Available Funds as stated in this Prospectus. However, there may be situations where, due to change of circumstance, outlook, research results and or business judgment, a reallocation of funds may be necessary in order for the Company to achieve its overall business objectives.

The Company does not anticipate that the further development of its genetic and outdoor cultivation consulting business line will require any material additional capital expenditure or use of Available Fund over the next twelve months.

### **General and Administrative Expenses**

The Company's working capital available to fund ongoing operations will be sufficient to fund its business milestones and objectives and administrative costs for the next twelve months. Estimated general and administrative expenditures during this period are comprised of the following:

<b>Description</b>	<b>\$</b>
Executive and administrative salaries and benefits <sup>(1)</sup>	296,000
Research and Development and operations wages and benefits	167,300
Professional and consulting fees	13,250
Marketing, advertising and investor relations	13,250
General and administrative <sup>(2)</sup>	138,200
Administrative Services Agreement <sup>(3)</sup>	72,000
<b>Total:</b>	<b>\$700,000</b>

**Note:**

- (1) This figure includes executive and administrative salaries payable to each of Messrs. Jason Taylor, Nicco Dehaan, Steven Bowering and Timothy O'Donnell.
- (2) General and administrative includes \$36,000 for travel, \$50,000 for general and D&O insurance, \$38,000 for CSE listing fees and associated reporting issuer costs, \$14,200 for taxes and utilities.
- (3) Administrative and accounting services at \$6,000 per month payable to Partum Advisory Services Corp. (formerly known as Pender Street Corporate Consulting Ltd.)

On a longer-term basis, the Company anticipates that its expansion plans to the Facility will consist of the construction of a laboratory, additional greenhouses, fencing and security, additional processing equipment and the acquisition of additional equipment for value added products including carbon dioxide, ethanol and butane extraction. See “*Cautionary Statement Regarding Forward Looking Statements*” and “*Risk Factors*”.

The Company anticipates further growth through the expansion of its outdoor cultivation on its existing Property or through the acquisition of additional adjacent lands, and the acquisition or construction of new greenhouses. The Company anticipates actively seeking out and evaluating expansion opportunities on an ongoing basis. The Company expects to finance any growth strategies through equity, debt and cash flow from operations.

The future expansion of the Company will be based on the success of its short-term objectives, including successfully obtaining licensing and additional funding.

Other than as described in this Prospectus, to the knowledge of management, there are no other particular significant events or milestones that must occur for the Company’s initial business objectives to be accomplished. However, there is no guarantee that the Company will meet its business objectives or milestones described above, within the estimated costs or at all. The Company may, for sound business reasons, reallocate its time or capital resources, or both, differently than as described above.

## **DIVIDEND POLICY**

The Company has not declared any dividends nor made any distributions since incorporation. The Board may declare dividends at its discretion but it does not anticipate paying dividends in the near future. The Board expects to retain earnings to finance future growth of the Company and, when appropriate, retire debt.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Management’s discussion and analysis of the Company for the financial years ended November 30, 2019, 2018 and 2017 are included as Schedule “B” to this Prospectus and should be read in conjunction with unaudited interim and audited annual financial statements of the Company and the related notes to which the management’s discussion and analysis relates. All of the information presented in the management’s discussion and analysis is based on the annual financial statements, which were prepared in accordance with IFRS. All amounts included in the management’s discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.

## **DESCRIPTION OF THE SECURITIES DISTRIBUTED**

### **Authorized and Issued Share Capital**

The Company’s authorized share capital consists of an unlimited number of Common Shares without par value of which 76,723,312 Common Shares are issued and outstanding at the date of this Prospectus. See “*Consolidated Capitalization*”.

### **Common Shares**

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares are entitled to receive such dividends in any financial year as the Board of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive the remaining property and assets of the Company. The Common Shares do not carry any pre-emptive rights, conversion or exchange rights, or redemption, retraction, purchase for cancellation or surrender rights. The Articles of the Company do not have any sinking or purchase fund provisions and do not have provisions permitting or restricting the issuance of additional securities and any



other material restrictions. The Articles of the Company also do not have any provisions requiring a security holder to contribute additional capital.

### Convertible Debentures

The terms of the Convertible Debentures include:

- The Convertible Debentures mature on the Maturity Date and bear interest at the rate of 12.0% per annum;
- Prior to the Maturity Date, the Subscribers have the right at any time during the period beginning from the Issue Date and ending during the First Year Term, to convert the Convertible Debentures into Conversion Shares at the Conversion Price, and they shall receive interest payable in Conversion Shares that is an amount equal to the first year interest term (being 365 days x 12% interest on a non pro rata basis) on a non pro rata basis;
- Following the First Year Term, the Convertible Debentures and any accrued but unpaid interest will be convertible into Conversion Shares at the Conversion Price at the option of the Convertible Debenture holder; and
- Each Conversion Share will consist of one (1) common share in the capital of the Company.

As of the date of this Prospectus, the Company has outstanding a total of 522 Convertible Debentures; the following table summarizes the details of the Convertible Debentures:

Number of Securities	Principal Amount of Convertible Debentures	Conversion Price	Number of Conversion Shares to Receive on Conversion of Principal Amount	Number of Conversion Shares to Receive on Conversion of Interest during First Year Term <sup>(1)</sup>	Maturity Date
359	\$1,795,000	\$0.20	8,975,000	1,155,205	March 13, 2022
163	\$815,000	\$0.20	4,075,000	524,480	March 24, 2022
20	\$100,000	\$0.20	500,000	60,105	April 7, 2022
<b>Total</b>	<b>\$2,710,000</b>		<b>13,550,000</b>	<b>1,739,790</b>	

(1) Assuming that the full principal amount of the Convertible Debenture is converted into Conversion Shares.

### Warrants

As of the date of this Prospectus, the Company has outstanding a total of 18,322,049 warrants (including finder's warrants); the following table summarizes the details of the Warrants:

Number of Securities	Exercise Price	Expiration Date
1,460,000	\$0.09	October 21, 2022
6,063,000	\$0.20	December 31, 2020
1,211,250	\$0.20	June 26, 2020
6,504,700	\$0.40	December 31, 2021
2,394,599	\$0.40	December 31, 2021
433,500	\$0.20	March 13, 2021
225,000	\$0.20	March 24, 2021
30,000	\$0.20	April 7, 2021

## CONSOLIDATED CAPITALIZATION

There has been no material change in the share capital of the Company since incorporation on October 26, 2014 other than as part of the Plan of Arrangement, the issuance of shares in consideration for acquisition of assets, the settlement of debt into shares and the private placement financing. Issuances of the Company's share capital since its incorporation are fully reflected in the "Prior Sales" table below.

The following table sets forth the share and loan capital of the Company as at the dates below. The table should be read in conjunction with and is qualified in its entirety by the Company's audited financial statements for the years ended November 30, 2019, 2018 and 2017 and for the nine month period ended August 31, 2019

Description	Amount Authorized or to be Authorized	Authorized at the date of this Prospectus	Outstanding as at August 31, 2019	Outstanding as at the date of this Prospectus
Common Shares	Unlimited	Unlimited	59,406,605	76,723,312
Warrants	Unlimited	Unlimited	39,066,274	18,322,049
Convertible Debentures	Unlimited	Unlimited	0	542

## OPTIONS TO PURCHASE SECURITIES

As at the date of this Prospectus, the Company has the following Options granted to directors, executive officers, employees or consultants of the Company:

Incentive stock options outstanding	No. of Common Shares issuable pursuant to outstanding options	Date of Grant	Exercise Price	Expiry Date
Directors and Executive Officers	1,530,000	June 1, 2019	\$0.09	June 1, 2024 <sup>(1)(2)</sup>
Employees	100,000	June 1, 2019	\$0.09	June 1, 2024
Consultants	3,440,000	June 1, 2019	\$0.09	June 1, 2024
Consultants	10,000	August 14, 2019	\$0.20	August 14, 2022
Employees	1,540,000	December 13, 2019	\$0.09	December 13, 2024
<b>Total</b>	<b>6,620,000</b>			

- 500,000 stock options will expire on May 26, 2020 in connection with the resignation of Arie Prins as the Company's Chief Executive Officer and director.
- 500,000 stock options will expire on May 14, 2020 in connection with the resignation of Benjamin Asuncion as a director.

The Consultants were granted options by the Company pursuant to written agreements made with the Company for providing their knowledge, technical expertise and professional services in exchange for remuneration on a per-diem basis and the issue of the stock options noted above.

### Stock Option Plan

On March 1, 2017, the Board approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding Common Shares of the Company, less any Common Shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with a fixed number plan in 2018 (the "**2018 Plan**") which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan was substantively similar to the Stock Option Plan except that it increased the number of Common Shares reserved under it. The 2018 Plan reserved 8,158,321 Common Shares (which represented 20% of the Company's outstanding Common Shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

On February 26, 2020, the Board adopted a 20% rolling stock option plan (the "**2020 Plan**") to replace the 2018 Plan; the 2020 Plan received shareholder approval at the Company's Annual General Meeting on March 31, 2020, to replace the fixed number 2018 Plan.

The 2020 Plan is administered by the Board of the Company that in its sole discretion, will determine all options to be granted pursuant to the 2020 Plan, the exercise price therefore, and any special terms or vesting provisions applicable thereto. The Board will comply with all regulatory requirements in granting options and otherwise administering the 2020 Plan.

The 2020 Plan was established to provide incentive to directors, officers and employees and consultants. The purpose of the 2020 Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares of the Company. The Board is of the view that the 2020 Plan provides the Company with the ability to attract and maintain the services of directors, executives, employees and other service providers in compensation with other companies in the industry.

To be eligible to receive a grant of Options under the 2020 Plan, regulatory authorities require an Optionee to be either a director, officer, employee, consultant or an employee of a Company providing management or other services to the Company or a subsidiary at the time the Option is granted.

Options may be granted only to an individual eligible, or to a non-individual that is wholly-owned by individuals eligible, for an Option grant. If the Option is granted to a non-individual, it will not permit any transfer of its securities, nor issue further securities, to any individual or other entity as long as the Option remains in effect.

The following is a summary of the material terms of the 2020 Plan.

- the total number of Common Shares (either issued directly or issuable on exercise of options or other convertible securities of the Company) provided as compensation to Investor Relations Persons (as such term is defined in the 2020 Plan) may not exceed in aggregate 1% of the issued and outstanding Common Shares of the Company in any 12 month period; and
- approval by shareholders other than directors and senior officers of the Company and shareholders who beneficially own or control, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all Common Shares of the Company, must all be obtained for any grants of options to a director or executive officer of, or of a related entity to, the Company (each a "Related Person") if, after the grant:

the total number of Common Shares (either issued directly or issuable on exercise of options or the number of securities, calculated on a fully diluted basis, reserves for issuance under options granted to:

- (i) Related Persons, exceeds 10% of the outstanding securities of the Company; or
- (ii) a Related Person and the associates of the Related Person, exceeds 5% of the outstanding securities of the Company; or

the number of securities, calculated on a fully diluted basis, issued within 12 months to:

- (i) Related Persons, exceeds 10% of the outstanding securities of the Company; or
- (ii) a Related Person and the associates of the Related Person, exceeds 5% of the outstanding securities of the Company.

Subject to any required approvals of the CSE or any other applicable stock exchange, the Board may amend, suspend or terminate the 2020 Plan or any portion thereof at any time, but an amendment may not be made without shareholder approval if such approval is necessary to comply with any applicable regulatory requirement. Further, subject to any required approvals of the CSE or any other applicable stock exchange, the Board may not do any of the following without obtaining, within 12 months either before or after the Board's adoption of a resolution authorizing such action, shareholder approval, and, where required, approval by Disinterested Shareholders, or by the written consent of the holders of a majority of the securities of the Company entitled to vote:

1. materially modify the requirements as to the eligibility for participation in the 2020 Plan that would have the potential of broadening or increasing insider participation;
2. add any form of financial assistance or any amendment to a financial assistance provision which is more favourable to participants under the 2020 Plan;
3. add a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction of the number of underlying securities from the 2020 Plan reserve; and
4. materially increase the benefits accruing to participants under the 2020 Plan.

However, the Board may amend the terms of the 2020 Plan to comply with the requirements of any applicable regulatory authority without obtaining shareholder approval, including:

- amendments to the 2020 Plan of a housekeeping nature;
- change the vesting provisions of an Option granted under the Stock Option Plan, if applicable;
- change to the vesting provisions of a security or the 2020 Plan;
- change to the termination provisions of a security or the 2020 Plan that does not entail an extension beyond the original expiry date;
- make such amendments to the Stock Option Plan as are necessary or desirable to reflect changes to securities laws applicable to the Company;
- make such amendments as may otherwise be permitted by regulatory authorities;
- if the Company becomes listed or quoted on a stock exchange or stock market senior to the CSE, make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- amend the Stock Option Plan to reduce the benefits that may be granted to Employees, Management Company Employees or Consultants.

### PRIOR SALES

The following table summarizes the issuance of securities of the Company since incorporation:

Date	Price per Security (\$)	Number and Type of Security	Reason for Issuance
October 26, 2014	0.01	1 Common Share <sup>(1)</sup>	Incorporator's Common Share
December 10, 2014	0.01	396,600 Common Shares	Plan of arrangement
July 27, 2015	0.01	1,000 Common Shares	Plan of arrangement
August 5, 2016	0.025	600,000 Common Shares	Non-brokered private placement
May 26, 2017	0.02	5,750,000 Common Shares	Settlement of debt
October 25, 2017	0.025	1,000,000 Common Shares	Payment of consulting fee
October 12, 2018	0.09	19,416,944 Units <sup>(2)</sup>	Non-brokered private placement
October 12, 2018	N/A	1,192,019 Warrants <sup>(3)</sup>	Finder's fee payable on non-brokered private placement
October 22, 2018	0.04	5,000,000 Units <sup>(4)</sup>	Non-brokered private placement
October 29, 2018	0.09	6,627,061 Units <sup>(2)</sup>	Non-brokered private placement
October 29, 2018	N/A	56,000 Warrants <sup>(3)</sup>	Finder's fee payable on non-brokered private placement
November 2, 2018	0.09	2,000,000 Units <sup>(2)</sup>	Non-brokered private placement
April 26, 2019	0.10	11,490,000 Units <sup>(5)</sup>	Non-brokered private placement
April 26, 2019	N/A	318,000 Warrants <sup>(6)</sup>	Finder's fee payable on non-brokered private placement
June 1, 2019	\$0.09	6,570,000 Options to purchase Common Shares <sup>(7)</sup>	Stock option issuance
June 26, 2019	0.10	2,125,000 Units <sup>(8)</sup>	Non-brokered private placement
June 26, 2019	N/A	148,750 Warrants <sup>(9)</sup>	Finder's fee payable on non-brokered private placement
July 10, 2019	\$0.04	5,000,000 Common Shares	Issued for past employment services rendered
August 14, 2019	\$0.20	10,000 Options to purchase Common Shares	Stock option issuance
September 20, 2019	0.20	12,125,000 Units <sup>(10)</sup>	Non-brokered private placement
September 20, 2019	N/A	442,200 Warrants <sup>(11)</sup>	Finder's fee payable on non-brokered private placement
October 17, 2019	\$0.20	4,587,597 Units <sup>(12)</sup>	Non-brokered private placement
October 17, 2019	N/A	100,800 Warrants <sup>(13)</sup>	Finder's fee payable on non-brokered private placement

Date	Price per Security (\$)	Number and Type of Security	Reason for Issuance
December 13, 2019	\$0.09	1,540,000 Options to purchase Common Shares	Stock option issuance
January 27, 2020	\$0.09	604,110 Common Shares <sup>(14)</sup>	Issued for past employment services rendered
March 13, 2020	\$5,000	359 Convertible Debentures <sup>(15)</sup>	Non-brokered private placement of Convertible Debentures with a principal amount of \$1,795,000
March 13, 2020	N/A	433,500 Warrants <sup>(16)</sup>	Finder's fee payable on non-brokered private placement
March 24, 2020	\$5,000	163 Convertible Debentures <sup>(17)</sup>	Non-brokered private placement of Convertible Debentures with a principal amount of \$815,000
March 24, 2020	N/A	225,000 Warrants <sup>(18)</sup>	Finder's fee payable on non-brokered private placement
April 7, 2020	\$5,000	20 Convertible Debentures <sup>(19)</sup>	Non-brokered private placement of Convertible Debentures with a principal amount of \$100,000
April 7, 2020	N/A	30,000 Warrants <sup>(20)</sup>	Finder's fee payable on non-brokered private placement
	<b>Total Issued</b>	<b>76,723,312 Common Shares 48,654,073 Warrants 8,120,000 Options 542 Convertible Debentures</b>	
	<b>Total Outstanding:<sup>(21)</sup></b>	<b>76,723,312 Common Shares 18,322,049 Warrants 6,620,000 Options 542 Convertible Debentures</b>	

**Note:**

- (1) The Company purchased from the Incorporator the one Common Share of the Company (the "Incorporator's Share") for the amount of \$0.01 and the Incorporator's Common Share was cancelled and restored to the status of authorized but unissued Common Shares of the Company.
- (2) Each unit consists of one Common Share and one Common Share purchase warrant; each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.30 for 12 months from issuance. The warrants expired unexercised on October 12, 2019, October 29, 2019 and November 2, 2019, respectively.
- (3) These warrants expired unexercised on October 12, 2019.
- (4) Each unit consists of one Common Share and one-half Common Share purchase warrant; each whole warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.09 for 48 months from issuance.
- (5) Each unit consists of one Common Share and one-half Common Share purchase warrant; each whole warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 until December 31, 2020.
- (6) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 until December 31, 2020.
- (7) On November 27, 2019 1,000,000 options were cancelled.
- (8) Each unit consists of one Common Share and one-half Common Share purchase warrant; each whole warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 for 12 months from issuance.
- (9) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 for 12 months from issuance.
- (10) Each unit consists of one Common Share and one-half Common Share purchase warrant; each whole warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.40 for 12 months from issuance.
- (11) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.40 for 12 months from issuance.
- (12) Each unit consists of one Common Share and one-half Common Share purchase warrant; each whole warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.40 until December 31, 2021.
- (13) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.40 until December 31, 2021.
- (14) Each Common Share is subject to a hold period that expires four months and one day from issuance.
- (15) Each Convertible Debenture is subject to a hold period that expires four months and one day from issuance.
- (16) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 until March 13, 2021. Any Common Shares exercised from these warrants will be subject to a hold period that expires four months and one day from the date the warrants were issued.
- (17) Each Convertible Debenture is subject to a hold period that expires four months and one day from issuance.
- (18) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 until March 24, 2021. Any Common Shares exercised from these warrants will be subject to a hold period that expires four months and one day from the date the warrants were issued.
- (19) Each Convertible Debenture is subject to a hold period that expires four months and one day from issuance.
- (20) Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.20 until April 7, 2021. Any Common Shares exercised from these warrants will be subject to a hold period that expires four months and one day from the date the warrants were issued.
- (21) As of the date of this Prospectus.

## TRADING PRICE AND VOLUME

The Common Shares are not currently listed for trading on any stock exchange.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

#### Escrow under CSE Policies

In accordance with the CSE Policies, National Policy 46-201 *Escrow for Initial Public Offerings* (“NP 46-201”) all Common Shares held by a Related Person as of the date on which the Common Shares are listed for trading on the CSE are subject to escrow restrictions. Under the CSE Policies, the Related Persons of the Company are its directors and officers, the Company’s promoter, and any person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total Common Shares. The Escrow Securities shall be released commencing on the Listing Date.

The CSE Policies require that the Escrow Securities be governed by the form of escrow agreement under National Policy 46-201 *Escrow for Initial Public Offerings* (“NP 46-201”). Pursuant to the Escrow Agreement, among the Company, the Escrow Agent, and the directors, officers and insiders of the Company and their spouses, the Escrow Securities will be released in accordance with the following release schedule under NP 46-201, as on listing, the Company will be an “Emerging Issuer” (as defined in NP 46-201):

On the Listing Date	1/10 of the Escrow Securities
6 months after the Listing Date	1/6 of the remaining Escrow Securities
12 months after the Listing Date	1/5 of the remaining Escrow Securities
18 months after the Listing Date	¼ of the remaining Escrow Securities
24 months after the Listing Date	1/3 of the remaining Escrow Securities
30 months after the Listing Date	½ of the remaining Escrow Securities
36 months after the Listing Date	the remaining Escrow Securities

Assuming there are no changes to the Escrow Securities initially deposited and no additional Escrow Securities are deposited, this will result in a 10% release on the Listing Date, with the remaining Escrow Securities being released in 15% tranches every 6 months thereafter.

All the Escrow Securities are subject to the direction and determination of the CSE. Specifically, the Escrow Securities may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the consent of the CSE.

The following sets forth particulars of the Escrow Securities that will be subject to Emerging Issuer escrow under the Escrow Agreement on the Listing Date.

Name	Number of Common Shares held in Escrow	Percentage of Outstanding Common Shares held in Escrow	Number of Warrants and Options held in Escrow <sup>(1)</sup>	Percentage of Outstanding Warrants and Options held in Escrow	Number of Convertible Debentures to be held in Escrow <sup>(1)</sup>	Percentage of Outstanding Convertible Debentures held in Escrow
Steven Bowering	2,500,000	3.26%	365,000	1.46%	--	--
Nicco Dehaan	2,711,111	3.53%	415,000	1.66%	2 <sup>(2)(5)</sup>	0.36%
Joel Dumaresq	330,367	0.43%	605,000	2.42%	--	--
Timothy O’Donnell	3,805,833	4.96%	851,250	3.41%	--	--
Jason Taylor	2,500,000	3.26%	365,000	1.46%	1 <sup>(3)(5)</sup>	0.18%
Gil Playford	8,625,303	11.24%	2,962,513	11.88%	40 <sup>(4)(5)</sup>	7.38%
Anita Taylor	325,000	0.42%	50,000	0.20%	--	--
Marousa Dumaresq	150,000	0.20%	--	--	--	--

Name	Number of Common Shares held in Escrow	Percentage of Outstanding Common Shares held in Escrow	Number of Warrants and Options held in Escrow <sup>(1)</sup>	Percentage of Outstanding Warrants and Options held in Escrow	Number of Convertible Debentures to be held in Escrow <sup>1)</sup>	Percentage of Outstanding Convertible Debentures held in Escrow
Peter Nguyen	--	--	30,000	0.12%	--	--
<b>TOTAL</b>	<b>20,947,614</b>	<b>27.30%</b>	<b>5,643,763</b>	<b>22.62%</b>	<b>43</b>	<b>7.93%</b>

- (1) Upon exercise of the Warrants or Options within the escrow period the underlying Common Shares will also be subject to escrow under the Escrow Agreement.
- (2) If the Convertible Debenture is converted during the First Year Term, 56,435 Conversion Shares will be issued and subject to Escrow.
- (3) If the Convertible Debenture is converted during the First Year Term, 28,220 Conversion Shares will be issued and subject to Escrow.
- (4) If the Convertible Debenture is converted during the First Year Term, 1,128,570 Conversion Shares will be issued and subject to Escrow.
- (5) Assuming the entire amount of the Convertible Debenture is converted during the First Year Term.

If, within 18 months of the Listing Date, the Company meets the “Established Issuer” criteria, as set out in NP 46-201, the Escrow Securities will be eligible for accelerated release according to the criteria for established issuers. In such a scenario that number of Escrow Securities that would have been eligible for release from escrow if the Company had been an “established issuer” on the Listing Date will be immediately released from escrow. The remaining Escrow Securities would be released in accordance with the time release provisions for established issuers, with all Escrow Securities being released 18 months from the Listing Date.

Under the terms of the Escrow Agreement, Escrow Securities cannot be transferred by the holder unless permitted under the Escrow Agreement. Notwithstanding this restriction on transfer, a holder of Escrow Securities may (a) pledge, mortgage or charge the Escrow Securities to a financial institution as collateral for a loan provided that no Escrow Securities will be delivered by the escrow agent to the financial institution; (b) exercise any voting rights attached to the Escrow Securities; (c) receive dividends or other distributions on the Escrow Securities; and (d) exercise any rights to exchange or convert the Escrow Securities in accordance with the Escrow Agreement.

The Escrow Securities may be transferred within escrow to: (a) subject to approval of the Board, an individual who is an existing or newly appointed director or senior officer of the Company or of a material operating subsidiary of Company; (b) subject to the approval of the Board, a person that before the proposed transfer holds more than 20% of the voting rights attached to the Company’s outstanding securities; (c) subject to the approval of the Board, a person that after the proposed transfer will hold more than 10% of the voting rights attached to the Company’s outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Company or any of its material operating subsidiaries; (d) upon the bankruptcy of a holder of Escrow Securities, the holder’s Escrow Securities may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such securities; (e) upon the death of a holder of Escrow Securities, all Escrow Securities of the deceased holder will be released from escrow to the deceased holder’s legal representative; (f) a financial institution that the holder pledged, mortgaged or charges to a financial institution as collateral for a loan on realization of such loan; and (g) a registered retirement savings plan, registered retirement income fund or similar registered plan or fund.

In addition, tenders of Escrow Securities pursuant to a share exchange, which includes a take-over bid, issuer bid, statutory arrangement, amalgamation, merger or other reorganization similar to an amalgamation or merger, are permitted. Escrow Securities subject to a share exchange will continue to be escrowed if the successor entity is not an “exempt issuer”, the holder is a Related Person of the successor entity; and the holder holds more than one percent of the voting rights of the successor entities’ outstanding securities.

### Voluntary Pooling Agreement

Each of Messrs. Dehaan, Taylor, Bowering and O’Donnell entered into a voluntary Pooling Agreement dated October 18, 2018, whereas the Company has the option to buy back certain units purchased by each party at a price of \$0.04 in a private placement that closed on October 22, 2018 should their employment end for any reason within two years of the date of the agreement. The Common Shares and any Common Shares issued pursuant to the exercise of warrants from this private placement also cannot be traded for a period of 24 months from the date of the agreement and are further subject to the restrictions set out in the Escrow Agreement. On December 13, 2019, 1,040,000 of the warrants were cancelled.

## Milestone Share Escrow

The Company has issued in aggregate five million (5,000,000) Common Shares to Messrs. Bowering, Dehaan, Taylor and O'Donnell in conjunction with their employment contracts for consideration in the form of past services rendered to the Company and reflecting the attainment of certain objectives in the Company's development, including the substantial completion of construction of the Company's Christina Lake cultivation facility, the submission to Health Canada of the RDL application, and the execution by the Company of three consulting contracts. These Common Shares are subject to contractual transfer restrictions (in addition to the escrow restrictions set out in the Escrow Agreement) that prevent transfer by the holders until such time as the Company has secured its SCL.

## PRINCIPAL SHAREHOLDERS

The only person known to the Company who beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the outstanding Common Shares (either on an undiluted or fully diluted basis) is Mr. Gil Playford, who beneficially owns, directly or indirectly, and exercises control and direction over, an aggregate of 8,625,303 of the outstanding Common Shares, being 11.24% of the outstanding Common Shares.

## DIRECTORS AND EXECUTIVE OFFICERS

### Name, Occupation and Security holding

The following table sets out information regarding each of directors, executive officers and promoters of the Company including the names, municipality of residence, the position and office held and the period of time served in this position, their principal occupation for the preceding five years, and the number and percentage of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised:

Name, Position with Company and Province and Country of Residence	Date of Appointment to Office	Principal Occupation for Past Five Years	Number of Common Shares Owned	Percentage of Common Shares Outstanding <sup>(2)</sup>
<b>Joel Dumaresq</b> Vancouver, British Columbia CEO, Interim CFO, and Director	February 1, 2018	See "Management of Junior Companies" below	330,367	0.43%
<b>Jason Taylor<sup>(1)</sup></b> Grand Forks, British Columbia, Director	January 9, 2019	See "Management of Junior Companies" below	2,500,000	3.26%
<b>Peter Nguyen<sup>(1)</sup></b> Vancouver, British Columbia, Director	January 9, 2019	See "Management of Junior Companies" below	Nil	Nil
<b>Nicco Dehaan<sup>(1)</sup></b> Grand Forks, British Columbia, Director, COO	January 9, 2018	See "Management of Junior Companies" below	2,711,111	3.53%
<b>Timothy O'Donnell</b> British Columbia, Canada Corporate Secretary	October 1, 2018	See "Management of Junior Companies" below	3,805,833	4.96%
		<b>TOTAL</b>	<b>9,347,311</b>	<b>12.18%</b>

#### Notes:

- (1) Audit Committee Member.
- (2) On the basis of 76,723,312 issued and outstanding Common Shares as of the date of this Prospectus.

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of the office of the officers expires at the discretion of the Company's directors.



The following table sets out the number, expiry date and exercise price of share purchase warrants and options held by the directors, executive officers and promoters of the Company. Each warrant entitles the holder to acquire one Common Share upon exercise:

Name	Number of Warrants	Exercise Price	Expiry Date	Number of Options	Exercise Price	Expiry Date
Joel Dumaresq	105,000	\$0.20	December 31, 2020	500,000	\$0.09	June 1, 2024
Jason Taylor	365,000	\$0.09	October 22, 2022	Nil	n/a	n/a
Peter Nguyen	Nil	n/a	n/a	30,000	\$0.09	June 1, 2024
Nicco Dehaan	365,000	\$0.09	October 21, 2022	Nil	n/a	n/a
	50,000	\$0.20	December 31, 2020			
Timothy O'Donnell	365,000	\$0.09	October 21, 2022	Nil	n/a	n/a
	100,000	\$0.20	December 31, 2020			
	386,250	\$0.40	December 31, 2021			

### **Aggregate Ownership of Securities**

As of the date of this Prospectus, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, 9,347,311 Common Shares representing approximately 12.18% of the issued and outstanding Common Shares.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

#### ***Cease Trade Orders***

To the best of the Company's knowledge, none of the directors or executive officers of the Company is, or within the 10 years before the date of this Prospectus has been, a director or executive officer of any issuer that:

- (a) was subject to a cease trade order or similar order or an order that denied the corporation access to any statutory exemptions for a period of more than 30 consecutive days (an "**Order**"), which was issued while the proposed director or executive officer was acting in the capacity as director, CEO or CFO; or
- (b) was subject to an Order 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, CEO or CFO.

#### ***Bankruptcies***

To the best of the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of Common Shares to affect materially the control of the Company:

- (a) is, as at the date of this Prospectus, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any issuer (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 the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

#### ***Penalties or Sanctions***

To the best of the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of Common Shares to affect materially the control 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 investor in making an investment decision.

### **Conflicts of Interest**

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. 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. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between the Company and its directors and officers except that certain of the directors and officers may serve as directors and/or 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.

### **Management of Junior Companies**

A description of the principal occupation for the past five years and summary of the experience of the directors and officers of the Company is as follows:

#### ***Joel Dumaresq – (Age: 55) – Chief Executive Officer, Interim Chief Financial Officer and Director***

Mr. Dumaresq obtained a Bachelor of Arts degree in Economics and Psychology from the University of British Columbia. Mr. Dumaresq has a background in finance and investment banking and formerly worked for 10 years for RBC Dominion Securities, a division of the Royal Bank of Canada. Mr. Dumaresq was formerly the President of Greenwater Forest Products, a diversified forest products Company located on the coast of British Columbia.

Mr. Dumaresq is a director of reporting issuers ArcWest Exploration Inc., Black Isle Resources Corporation, Eastern Zinc Corp., TAAT Lifestyle and Wellness Ltd., Organic Flower Investments Group Inc., and Experion Holdings Ltd. and is an officer of reporting issuers Eastern Zinc Corp., TAAT Lifestyle and Wellness Ltd. and Organic Flower Investments Group Inc. Mr. Dumaresq has acted in an operating capacity for a range of companies in the oil, mining, medical and forestry spaces and has assisted many of these companies in securing financing from the public and private market sources. Mr. Dumaresq, in his capacity as the Chief Executive Officer, interim Chief Financial Officer, and Director of the Company, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement. Mr. Dumaresq will devote 70% of his time and expertise to the Company.

#### ***Jason Taylor – (Age: 48) – Director***

Mr. Taylor earned his law degree in the UK before joining the law firm of Perley-Robertson, Hill & McDougall in Ottawa where he focused on corporate/commercial litigation and trade law as an articling student. After his call to the bar of Ontario in 2002, Mr. Taylor was recruited to the Mergers Branch at the Competition Bureau where he was tasked with the compliance review of the largest merger transaction in Canadian history at the time. During his time at the Bureau, Mr. Taylor conducted several civil law enforcement investigations and was also a member of the policy team responsible for developing amendments to the *Competition Act* (Canada), engaging with domestic stakeholders and with foreign law enforcement agencies. Mr. Taylor returned to private legal practice in 2013 to focus on corporate related matters such as assisting several successful Canadian businesses expand internationally.

Mr. Taylor is an employee of the Company and has entered into an employment agreement with the Company. Mr. Taylor is engaged on a full-time basis, and under the terms of his employment agreement is subject to both non-competition and non-disclosure terms. Mr. Taylor will devote 100% of his time and expertise as an employee to the Company.

***Peter Nguyen- (Age: 33) - Director***

Peter Nguyen is a Chartered Professional Accountant and holds a degree from the University of British Columbia. Mr. Nguyen is the CFO of reporting issuers ICC International Cannabis Corp. and MegumaGold Corp. He has held senior financial positions for both public and private companies where he provided assurance, corporate finance, tax and business advisory services.

Mr. Nguyen, in his capacity as a director of the Company, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Company, and is not subject to any non-competition or non-disclosure agreement. Mr. Nguyen will devote 15% of his time and expertise to the Company.

***Nicco Dehaan - (Age: 38) – Chief Operating Officer and Director***

Mr. Dehaan is a successful agricultural entrepreneur. He was born and raised in Grand Forks, BC where his family owned and operated a large ranch. For the past ten years, Mr. Dehaan has pursued the development of unique cannabis strains for use in the legal medical cannabis industry. He has a deep and abiding interest in research and development in order to optimize both indoor and outdoor cannabis cultivation methods. Mr. Dehaan primary focus will be developing new high yielding outdoor cannabis genetic strains that can be scaled for commercial cannabis farming and a variety of use applications. He has worked under and complied with the regulations of the MMAR, MMPR, and ACMPR. Mr. Dehaan is excited to contribute his experience and passion to further development of the cannabis industry.

Mr. Dehaan is an employee of the Company and has entered into an employment agreement with the Company. Mr. Dehaan is engaged on a full-time basis, and under the terms of his employment agreement is subject to both non-competition and non-disclosure terms. Mr. Dehaan will devote 100% of his time and expertise as an employee to the Company.

***Timothy O'Donnell - (Age: 63) - Corporate Secretary***

Since selling his successful oilfield services business of 29 years in 2012, Mr. O'Donnell was under a 1-year transitional management contract to the purchaser URS Flint Resources. Since completion of his management contract, Mr. O'Donnell has been semi-retired and providing business consulting services to such companies as Heavy Metal Demolition, Warthog Tubular and Big Boom Picker Services to name a few. Mr. O'Donnell has also been actively involved in consulting in the cannabis space and is considered an authority when it comes to extraction processes and techniques. Mr. O'Donnell also brings to the Company considerable knowledge on Health Canada requirements and regulations in this burgeoning space.

Mr. O'Donnell is an employee of the Company and has entered into an employment agreement with the Company. Mr. O'Donnell is engaged on a full-time basis, and under the terms of his employment agreement is subject to both non-competition and non-disclosure terms. Mr. O'Donnell will devote 100% of his time and expertise as an employee to the Company.

**Corporate Update**

Mr. Arie Prins served as CEO of the Company from January 9, 2019 until his resignation effective January 27, 2020. In connection with such resignation, the Company and Mr. Prins entered into a separation agreement (the “**Separation Agreement**”) pursuant to which, among other things, Mr. Prins has been issued 604,110 Common Shares in conjunction with his previous employment contract for consideration in the form of past services rendered to the Company and reflecting the attainment of certain objectives in the Company’s development. In addition, the Company has agreed to pay Mr. Prins, in six monthly installments, an aggregate of \$51,662.58 (comprised of six months’ salary, plus \$6,662.28 in accrued vacation). Mr. Prins is bound by non-disclosure terms and a non-compete clause limiting Mr. Prins from working in competition with the Company for a period of one year following his resignation.

Mr. Dumaresq was originally appointed as the CFO of the Company on February 1, 2018 and assumed the role of CEO and interim CFO upon the resignation from Mr. Prins as CEO. Mr. Dumaresq will act as the interim CFO until such time as a successor CFO that has received the necessary Health Canada security clearance is appointed.

## **Advisory Committee**

The Company has formed an advisory committee to provide management with input and advice as the Company nears production. The advisory committee is comprised of Mr. Gil Playford and Mr. Mervin Boychuk. Mr. Playford, who currently holds 11.24% of the outstanding Common Shares, is a mining executive who began his career with Union Carbide Corp. and over the course of 25 years held various senior executive positions, including Managing Director in Switzerland, Belgium and Germany, Chairman and CEO of Union Carbide Canada and Chief Financial Officer of Union Carbide in New York. Mr. Playford subsequently founded LionOre Mining International, with nickel and gold assets in Africa and Australia, and in 2007 was involved in its sale to Norilsk Nickel for \$6.8 billion in cash. Mr. Playford is presently Chairman and CEO of Bearing Lithium Corp., a mineral and exploration development company. Mr. Playford holds an Engineering Degree from McGill University in Montreal and a Master's in Business Administration from York University in Toronto.

Mervin Boychuk has been involved with founding, building and selling private businesses over the course of his 35-year career. Mr. Boychuk joined South Rock Ltd, a private road construction company, in 1978 and subsequently became President & CEO in 1980; the company was later sold to Aecon Group Inc. in 2009. Mr. Boychuk co-founded RecycleWest, a waste oil collection and supply company, which was later sold to Newalta in 1995. In 1996, Mr. Boychuk co-founded EnviroWest which serviced the British Columbia, Alberta, and Saskatchewan vacuum truck sludge and waste oil collection markets, and was later sold to GFL Environmental, a waste management company, in 2010. Mr. Playford is a shareholder of the Company and continues to be active in the family-owned waste treatment business in Calgary and Edmonton.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Compensation, Philosophy and Objectives*

The Company does not have a formal compensation program. The Board meets to discuss and determine management compensation, without reference to formal objectives, criteria or analysis. The general objectives of the Company's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other cannabis companies to enable the Company to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a technology development Company without a history of earnings.

The Board, as a whole, ensures that total compensation paid to all Named Executive Officers ("NEOs"), as hereinafter defined, is fair and reasonable. A "Named Executive Officer" ("NEO") includes: (i) the Company's CEO; (ii) the Company's CFO; (iii) each of the three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers as at the end of the most recently completed financial year of November 30, 2019, and whose total compensation was more than \$150,000; and (iv) any additional individuals for whom disclosure would have been required except that the individual was not serving as an officer of the Company at the end of the most recently completed financial year. The Board relies on the experience of its members as officers and directors with other junior companies in assessing compensation levels.

#### *Analysis of Elements*

Base salary is used to provide the NEOs a set amount of money during the year with the expectation that each NEO will perform his responsibilities to the best of his ability and in the best interests of the Company.

The Company considers the granting of Options to be a significant component of executive compensation as it allows the Company to reward each NEOs efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Options are generally awarded to executive officers at the commencement of employment and periodically thereafter. The terms and conditions of the Option grants, including vesting provisions and exercise prices, are governed by the terms of the Stock Option Plan.

### ***Long Term Compensation and Option-Based Awards***

The Company has no long-term incentive plans other than its Stock Option Plan. The Company's directors, officers, employees and certain consultants are entitled to participate in the Stock Option Plan. The Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option Plan aligns the interests of the NEO and the Board with shareholders by linking a component of executive compensation to the longer term performance of the Common Shares.

Options are granted by the Board. In monitoring or adjusting the Option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous Option grants and the objectives set for the NEOs and the Board. The scale of Options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of Options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- (a) parties who are entitled to participate in the Stock Option Plan;
- (b) the exercise price for each Option granted, subject to the provision that the exercise price cannot be lower than the prescribed discount permitted by the CSE from the market price on the date of grant;
- (c) the date on which each Option is granted;
- (d) the vesting period, if any, for each Option;
- (e) the other material terms and conditions of each Option grant; and
- (f) any re-pricing or amendment to an Option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Stock Option Plan. The Board reviews and approves grants of Options on an annual basis and periodically during a financial year.

### **Summary Compensation**

The following information is presented in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*, for the Company's financial years ended November 30, 2019 and 2018.

### ***Named Executive Officer and Director Compensation***

The following table sets forth all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company or its subsidiary, to each NEO of the Company during the fiscal years ended November 30, 2019 and November 30, 2018, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO of the Company for services provided and for services to be provided, directly or indirectly, to the Company or its subsidiary.

Table of Compensation									
NEO Name Principal Position	Year	Salary (\$)	Share Based Awards (\$)	Option Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total compensation (\$)
					Annual Incentive Plans	Long Term Incentive Plans (\$)			
Joel Dumaresq CEO, Interim CFO <sup>(1)</sup>	2019	Nil	Nil	37,932	Nil	Nil	Nil	50,000	87,932
	2018	Nil	Nil	Nil	Nil	Nil	Nil	12,000 <sup>(3)</sup>	12,000
Eugene Beukman Former CEO and Former Corporate Secretary <sup>(2)</sup>	2019	Nil	Nil	Nil	Nil	Nil	Nil	72,205	72,205
	2018	Nil	Nil	Nil	Nil	Nil	Nil	12,000 <sup>(4)</sup>	12,000
Arie Prins Former CEO, and Director <sup>(5)</sup>	2019	90,000	Nil	37,932	Nil	Nil	Nil	Nil	127,932
	2018	10,385	Nil	Nil	Nil	Nil	Nil	Nil	10,385

**Notes:**

- (1) Joel Dumaresq was appointed CFO of the Company on February 1, 2018. On January 27, 2020, Mr. Dumaresq was appointed as the CEO and is currently acting as the Interim CFO until such time as a replacement is appointed.
- (2) Eugene Beukman served as CEO and Corporate Secretary of the Company from February 1, 2018 to January 9, 2019.
- (3) Rent fees paid to a private company jointly controlled by the CFO
- (4) Consulting fees paid to a private company controlled by the former CEO.
- (5) Arie Prins served as the CEO of the Company from January 9, 2019 to January 27, 2020.

The Company has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Company or its subsidiaries for their services in their capacity as directors. The directors of the Company may be reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors. Directors are also eligible to receive incentive stock options to purchase Common Shares of the Company under the Company's stock option plan.

**External Management Companies**

During the financial year ended November 30, 2018, the Company entered into a corporate management agreement (the "PSCC Agreement") dated January 1, 2018, with Partum Advisory Services Corp. (formerly known as Pender Street Corporate Consulting Ltd.) ("PSCC") to provide management, accounting and administrative services to the Company in accordance with the terms of the PSCC Agreement for a monthly fee of \$6,000 plus applicable taxes and reimbursement of all out-of-pocket expenses incurred on behalf of the Company. PSCC is also entitled to charge a 15% administration fee on all disbursements paid by PSCC to a maximum of 2% per disbursement, and to charge interest of 2% on all disbursements not reimbursed within 30 days. The PSCC Agreement is for an initial term of 12 months, to be automatically renewed for further 12 month periods, unless either party gives 180 days' notice of non-renewal, in which case the PSCC Agreement will terminate. The PSCC Agreement can be terminated by either party on 90 days' written notice. It can also be terminated by the Company for cause without prior notice or upon the mutual consent in writing of both parties. If there is a take-over or change of control of the Company resulting in the termination of the PSCC Agreement, PSCC is entitled to receive an amount equal to 24 months of fees payable as a lump sum payment due on the day after the termination date.

PSCC was not indebted to the Company during the Company's last completed financial year, and the PSCC Agreement remains in effect.

During the most recently completed financial year, the Company paid or accrued a total \$72,000 in management and accounting fees.

## Stock Options and Other Compensation Securities

The following tables set forth the details of all compensation securities granted or issued to each named executive officer and director by the Company in the most recently completed financial year for services provided or to be provided, directly or indirectly, to the Company:

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Arie Prins Former CEO and director	Stock Options	500,000	June 1, 2019	\$0.09	N/A	N/A	June 1, 2024
Jason Taylor Director	Stock Options	375,000 <sup>(1)</sup>	June 1, 2019	\$0.09	N/A	N/A	June 1, 2024
Peter Nguyen Director	Stock Options	30,000	June 1, 2019	\$0.09	N/A	N/A	June 1, 2024
Nicco Dehaan Director and COO	Stock Options	375,000 <sup>(1)</sup>	June 1, 2019	\$0.09	N/A	N/A	June 1, 2024
Ben Asuncion Former director	Stock Options	500,000	June 1, 2019	\$0.09	N/A	N/A	June 1, 2024
Joel Dumaresq CEO, Interim CFO and Director	Stock Options	500,000	June 1, 2019	\$0.09	N/A	N/A	June 1, 2024

(1) These Stock Options were subsequently cancelled on November 27, 2019.

No named executive officer or director of the Company exercised any outstanding compensation securities during the most recently completed financial year of the Company.

### Termination and Change of Control Benefits

The Company has not entered into any other contract, agreement, plan or arrangement that provides for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement a change in control of the Company or a change in an NEOs responsibilities.

### Interest of Certain Persons or Companies in Matters to be Acted Upon

No director or executive officer of the Company or any proposed nominee of Management of the Company for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Company's last financial year in matters to be acted upon at the Meeting, other than the election of directors, the appointment of auditors and the confirmation of the Stock Option Plan.

### Employment, Consulting and Management Agreements

Except as noted below, management functions of the Company are, and since the beginning of the recently completed financial year have been, performed by the directors and senior officers of the Company, or private companies controlled by such directors or officers, and are not to any substantial degree performed by any other person or Company.

The Company entered into employment agreements with Messrs. Jason Taylor, Nicco Dehaan, Steven Bowering and Timothy O'Donnell. Messrs. Dehaan, Bowering and O'Donnell are experienced master growers and cannabis processors and will oversee the development, and operations of the Facility. Mr. O'Donnell was appointed as the Corporate Secretary and both Messrs. Taylor and Dehaan are directors of the Company.

The employment agreements dated October 16, 2018, between the Company and individually, Messrs. Taylor, Dehaan, Bowering and O'Donnell, provide for the payment of \$60,000 per annum in salaries, reimbursement of reasonable expenses and one-time signing bonuses of \$50,000 per person (paid). Pursuant to the employment agreements, which contain industry standard terms and conditions, each person is entitled to 6 months' notice for termination without cause, and in the case of a change of control, each person is entitled to one years' salary and any unpaid bonuses and expenses. Salaries are to be reviewed annually by the Board. Each of the employment agreements also contains non-disclosure terms and a non-compete clause limiting each individual working in competition with the Company for a period of one year following termination of employment for any reason.

### **Oversight and Description of Director and NEO Compensation**

The Board does not have a compensation committee or a formal procedure with respect to determining compensation for its personnel. These functions are currently performed by the Board as a whole; however, this policy may be reviewed in the future depending on the circumstances of the Company. The Board periodically reviews the compensation paid to the Company's officers, directors, and key employees, ensuring that such compensation realistically reflects the responsibilities of such positions and based on such factors as time commitment and level of responsibility, comparative fees paid by other companies in same industry in North America, and the Company's current position as a venture Company. The Company does not currently use a peer group to determine compensation paid to directors and NEOs.

### **Pension Disclosure**

The Company does not have any pension, defined benefit, defined contribution or deferred compensation plans in place.

### **Intended Changes to Compensation**

The Company intends to review its compensation practices and may enter into consulting arrangements with executive officers of the Company.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the current or former directors, executive officers, employees of the Company, the proposed nominees for election to the Board, or their respective associates or affiliates, are or have been indebted to the Company since the beginning of the last completed financial year of the Company.

During the last completed financial year, no director, executive officer, or nominee for director of the Company or any of their associates has been indebted to the Company or any of its subsidiaries, nor has any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support in agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

## **AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

### **Audit Committee**

#### *The Audit Committee's Charter*

The Audit Committee has a charter. A copy of the Audit Committee charter is attached hereto as Schedule "C".

#### *Composition of the Audit Committee*

The members of the Audit Committee are Nicco Dehaan, Peter Nguyen and Jason Taylor. Messrs. Dehaan and Taylor are not considered independent due to their employment agreements with the Company. Mr. Nguyen is not an executive officer of the Company and, therefore, is an independent member of the Audit Committee. All members are considered to be financially literate pursuant to section 1.6 of NI 52-110.



A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company pursuant to NI-52-110. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

A member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company.

### ***Relevant Education and Experience***

Mr. Dehaan currently oversees the Company's cultivation and agricultural efforts serving as a Master Grower and as the Chief Operating Officer. Mr. Dehaan has an extensive agricultural background, having been involved with a large, privately-held ranch for over twenty years where he acquired extensive experience and industry knowledge within the agricultural industry.

Mr. Nguyen is a Chartered Professional Accountant and holds a degree from the University of British Columbia. He is an officer of several reporting companies listed on the TSX Venture Exchange and the CSE with national and international operations. He has held senior financial positions for both public and private companies where he provided assurance, corporate finance, tax and business advisory services.

Mr. Taylor obtained his law degree in the UK, he is a corporate lawyer that possesses extensive experience and industry knowledge, particularly in relation to issues of relevance to junior or venture issuers. Mr. Taylor will oversee all aspects of the development and potential operation of the Facility.

Each member of the Audit Committee has adequate education and experience that would provide the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising individuals engaged in such activities; and
- (c) an understanding of internal controls and procedures for financial reporting.

### ***Audit Committee Oversight***

At no time since the commencement of the Company's most recently completed financial year has the Audit Committee made any recommendations to the Board to nominate or compensate its auditor which were not adopted by the Board.

### ***Reliance on Certain Exemptions***

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. Part 8 permits an Company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

### ***Pre-Approval of Policies and Procedures***

All services to be performed by the independent auditor of the Company must be approved in advance by the Audit Committee. The Audit Committee has considered whether the provisions of services other than audit services is compatible with maintaining the auditor's independence and has adopted a policy governing the provision of these services. This policy requires that pre-approval by the Audit Committee of all audit and non-audit services provide by any external auditor, other than any de minimus non-audit services allowed by applicable law or regulation.

### **External Auditor Service Fees**

The Audit Committee has reviewed the nature and amount of the non-audited services provided by the Company's auditor for the financial year ended November 30, 2019 to ensure auditor independence. Fees billed for audit and non-audit services in the last fiscal years for audit fees are outlined in the following table:

<b>Nature of Services</b>	<b>Fees Billed by Auditor in respect of the financial year ended November 30, 2019</b>	<b>Fees Billed by Auditor in respect of the financial year ended November 30, 2018</b>
Audit Fees <sup>(1)</sup>	20,000	8,500
Audit-Related Fees <sup>(2)</sup>	Nil	Nil
Tax Fees <sup>(3)</sup>	950	950
All Other Fees <sup>(4)</sup>	13,500	Nil
<b>Total</b>	<b>\$34,250</b>	<b>\$9,450</b>

**Notes:**

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

### **Exemption**

The Company is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110 for the financial year ended November 30, 2019. This exemption exempts a "venture Company" from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of that instrument, as would otherwise be required by NI 52-110.

### **Corporate Governance**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. Corporate governance encourages establishing a reasonable degree of independence of the Board from executive management and the adoption of policies to ensure the Board recognizes the principles of good management. The Board is committed to sound corporate governance practices, which are in the interest of its shareholders and contribute to effective and efficient decision making.

NP 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. The Company will continue to review and implement corporate governance guidelines as the business of the Company progresses and becomes more active in operations. NI 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices in Form 58-101F2, which disclosure is set out below.

### ***Board of Directors***

The mandate of the Board is to supervise the management of the Company and to act in the best interests of the Company. The Board acts in accordance with:

- (a) the BCBCA;
- (b) the Company's articles of incorporation; and
- (c) other applicable laws and Company policies.

The Board approves all significant decisions that affect the Company before they are implemented. The Board supervises their implementation and reviews the results.

The Board is actively involved in the Company's strategic planning process. The Board discusses and reviews all materials relating to the strategic plan with management. The Board is responsible for reviewing and approving the strategic plan. At least one Board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the business. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan.

The Board periodically reviews the Company's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Company's internal control and management information systems. The Board also monitors the Company's compliance with its timely disclosure obligations and reviews material disclosure documents prior to distribution. The Board periodically discusses the systems of internal control with the Company's external auditor.

The Board is responsible for choosing the CEO, CFO and appointing senior management and for monitoring their performance and developing descriptions of the positions for the Board, including the limits on management's responsibilities and the corporate objectives to be met by the management.

The Board approves all the Company's major communications, including annual and quarterly reports, financing documents and press releases. The Board approves the Company's communication policy that covers the accurate and timely communication of all important information. It is reviewed annually. This policy includes procedures for communicating with analysts by conference calls.

The Board, through its Audit Committee, examines the effectiveness of the Company's internal control processes and management information systems. The Board consults with the internal auditor and management of the Company to ensure the integrity of these systems. The internal auditor submits a report to the Audit Committee each year on the quality of the Company's internal control processes and management information systems.

The Board is responsible for determining whether or not each director is an independent director. Directors who also act as officers of the Company are not considered independent. Directors who do not also act as officers of the Company, do not work in the day-to-day operations of the Company, are not party to any material contracts with the Company, or receive any fees from the Company except as disclosed in this Prospectus.

The Board consists of four directors, of whom one is independent based upon the tests for independence set forth in NI 52-110. Peter Nguyen is an independent director. Joel Dumaesq is not independent as he is the Company's CEO and interim CFO and . Nicco Dehaan and Jason Taylor are not considered independent due to their employment agreements with the Company. Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

### ***Directorships***

The following directors are also directors of other reporting issuers stated below:

Joel Dumaresq is a director of ArcWest Exploration Inc., Black Isle Resources Corporation, Eastern Zinc Corp., TAAT Lifestyle and Wellness Ltd., Organic Flower Investments Group Inc. and Experion Holdings Ltd.

Peter Nguyen is a director of Cameo Industries Corp.

### ***Orientation and Continuing Education***

When new directors are appointed, they receive an orientation, commensurate with their previous experience, on the Company's properties, business, technology and industry and on the responsibilities of directors.

The Board briefs all new directors with respect to the Board's policies and other relevant corporate and business information. New Board members are also provided with access to all of the Company's publicly filed documents, the Company's records, and the Company's management and professional advisors, including the Company's auditor and legal counsel.

The Board also ensures that each director is up-to-date with current information regarding the Company's business, the role the director is expected to fulfill, and basic procedures and operations of the Board. Board members are encouraged to communicate with management and the Company's auditor.

### ***Ethical Business Conduct***

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

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

### ***Nomination of Directors***

The Board is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of shareholders.

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

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

### ***Compensation***

The Board conducts reviews with regard to directors' compensation annually. To make its recommendation on directors' compensation, the Board takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies and aligns the interests of directors with the return to shareholders. Compensation packages, including benefits, for executives and key managers will be developed based on performance and the Company's cash flow.

The Board decides the compensation of the Company's officers, based on industry standards and the Company's financial situation.

### ***Other Board Committees***

The Board has no committees other than the Audit Committee.

### ***Assessments***

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

## **RISK FACTORS**

The Common Shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in this Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Common Shares could decline substantially, and investors may lose all or part of the value of the Common Shares held by them. An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus.

### **Risk Factors Related to the Company's Securities**

#### ***There is currently no public trading market for the Common Shares or Warrants***

Currently there is no public market for the Common Shares or Warrants and there can be no assurance that an active market for the Common Shares or Warrants will develop or be sustained.

#### ***Resale of Shares***

There can be no assurance that the Company will successfully obtain a listing on the CSE. If the Company is successful in obtaining a listing for its shares, there can be no guarantee that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's Common Shares would be diminished.

#### ***Volatility of Stock Price and Market Conditions***

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. Purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities

of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

***Warrants are Speculative in Nature and may not have any Value***

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Moreover, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise their Warrants.

**Risk Factors Associated with the Company's Business**

The following are certain risk factors relating to the business carried on by the Company that prospective holders of Common Shares should carefully consider.

***Negative Cash Flow from Operations***

During the fiscal year ended November 30, 2019, the Company sustained net losses from operations and had negative cash flow from operating activities. The Company's cash and cash equivalents as at March 31, 2020 was approximately \$1,879,658. It is possible the Company may have negative cash flow in any future period as the Company continues to progress its expansion plans and its capacity of operations.

***Environmental Regulations and Risks***

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

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed.

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

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

***Early Stage of Development***

The Company, while incorporated in 2014, began carrying on business in 2018 and has yet to generate revenue from the sale of products to date. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

***Reliance on Receiving a Research and Development License and Cultivation and Processors License***

The Company's ability to set up its Facility for the purposes of research and development and to grow, store and sell cannabis in Canada is dependent on Health Canada's approval of the Company's RDL and SCL. The RDL and SCL are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the RDL and SCL or any failure to maintain the RDL and SCL would have a material adverse impact on the business, financial condition and operating results of the Company. The Company applied for and received its SCL from Health Canada on March 27, 2020, it has not yet received its RDL from Health Canada. Although the Company believes it will meet the requirements for future extensions or renewals of the RDL and SCL, there can be no guarantee that Health Canada will extend or renew the RDL and SCL or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health

Canada not extend or renew the Licenses RDL and SCL or should they renew the RDL and SCL on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected

### ***Construction Risk Factors***

The Company has yet to complete the construction of this Facility. Adverse changes or developments affecting the construction of this Facility could have a material and adverse effect on the Company's ability to produce cannabis, its business, financial condition and prospects.

### ***Cultivation Risks***

The Company's business may in the future involve the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

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

On December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 7, 2018, Bill C45 passed the third reading in the Senate with a number of amendments to the language of the Cannabis Act. On June 20, 2018, Prime Minister Trudeau announced that cannabis would be legal by October 17, 2018. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. On July 11, 2018, the regulations made pursuant 27 to the Cannabis Act were published. The regulations under the Cannabis Act contemplate the various licences including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth. The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time.

In addition, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis.

### ***Legislative or Regulatory Reform and Compliance***

The commercial cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licensed Producers in action. For example, regulations were amended in May, 2019 to require that applicants for a SCL subsequent to the effective date of such amendments must have completed construction of their cultivation facilities prior to submitting such application. The Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

### ***Negative Customer Perception***

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical or recreational purposes, including unexpected safety or efficacy concerns. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have an adverse

effect on any demand for the Company's services and products which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

### ***Constraints on Marketing Products***

In view of the restrictions on marketing, advertising and promotional activities set forth in the Cannabis Act and related regulations, the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

### ***New product Development***

The Company's ability to sell cannabis in Canada is dependent on the Company's ability to develop product that exceeds the standards set by Health Canada. Although the Company believes management has the expertise to develop such products, there is no assurance that the Company will successfully develop new products.

### ***Competition***

There is 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 experience than the Company. The Company considers such competitors to include Vindica Cannabis Corporation and Wilcompute Systems Inc. (doing business as GrowerIQ) based in Canada, and Grow Contractors based in the United States. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While most laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk. Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

### ***Additional Financing***

The Company may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### ***Market Development***

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for the Company's services or 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.

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

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and employees. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such



employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

### ***Operation Permits and Authorizations***

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate the businesses. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Licensee's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

### ***Liability, Enforcement Complaints, etc.***

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against it. Litigation, complaints, and enforcement actions involving the business could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

### ***Product Liability***

The Company's proposed products are designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

### ***Reliance on Key Inputs***

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

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

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

### ***Dividends***

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

### ***Intellectual Property***

The success of the Company will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

### ***Insurance Coverage***

The Company will require insurance coverage for a number of risks. Although Management believes that the events and amounts of liability covered by such insurance policies should be reasonable, taking into account the risks relevant to the Company's business, and the fact that agreements with users contain limitations of liability, there can be no assurance that

such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects, could be adversely affected.

### ***Costs of Maintaining a Public Listing***

As a public Company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a Company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### ***Litigation***

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

### ***Operational Risks***

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's Property and Facility, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another Company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

### ***Available Talent Pool***

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of cannabis research and development, cultivation of cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

### ***Ability to Maintain Bank Accounts***

While the Company does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for the Company. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company may be required to seek alternative payment solutions. If the industry was to move towards alternative payment solutions the Company would have to adopt policies and protocols to manage these changes. The Company's inability to manage such risks may adversely affect its operations and financial performance.

## **COVID-19**

The outbreak of the corona virus pandemic may impact the Company's plans and activities. The Company may face disruption to operations, travel and trade restrictions and impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce industry and could be a major health-care challenge for the Company. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately that the Company would see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, physical distancing, government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic including delays in commencing cultivation operations, reduced resource prices, share prices and financial liquidity and thereby that may severely limit the financing capital available.

## **PROMOTERS**

Mr. Joel Dumaresq, CEO, Interim CFO, and a Director of the Company may be considered to be the promoter of the Company, as that term is defined in the *Securities Act* (British Columbia). Information about Mr. Dumaresq is disclosed elsewhere in this Prospectus in connection with his roles as an officers and director of the Company.

Mr. Dumaresq holds directly and/or indirectly an aggregate of 330,367 Common Shares, representing less than one percent of the Company's current issued and outstanding Common Shares; he will receive annual compensation in his capacity as CEO and interim CFO.

Mr. Dumaresq will also be entitled to receive additional stock options under the 2020 Plan.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

There are no pending legal proceedings to which the Company is or was a party to, or that any of its property is or was the subject of, since the beginning of the most recently completed financial year for which financial statements of the Company are included in this Prospectus.

### **Regulatory Actions**

No penalties or sanctions were imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Prospectus. No other penalties or sanctions have been imposed by a court or regulatory body against the Company disclosure of which is necessary for this Prospectus to contain full, true and plain disclosure of all material facts. The Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Prospectus.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as described below and in respect of services as directors, executive officers and employees of the Company described elsewhere in this Prospectus, none of (a) any director, executive officer, insider or promoter of the Company, or (b) and associate or affiliate of the persons described in (a) has any material interest, direct or indirect, in any transaction within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

During the financial year ended November 30, 2019 the Company paid or accrued consulting, salaries and professional fees to Arie Prins, the Company's former CEO in the amount of \$90,000. During the financial year ended November 30, 2018 the Company paid or accrued consulting and professional fees to a company controlled by Eugene Beukman, the Company's former CEO and Corporate Secretary in the amount of \$12,000. During the financial year ended November 30, 2019 the Company paid or accrued premises rental fees to a company jointly controlled by Joel Dumaresq, a director of the Company and the Company's interim CFO and CEO, in the amount of \$8,000 (2018: \$12,000). During the financial year ended November 30, 2017 the Company paid or accrue consulting fees to a company controlled by Marcelin O'Neill, the Company's former CEO and CFO, in the amount of \$92,000.

## AUDITORS, TRANSFER AGENTS AND REGISTRARS

### Auditor

The Company's auditor is Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accounts, 1500 - 1140 West Pender Street, Vancouver, British Columbia Canada V6E 4G1.

### Registrar and Transfer Agent

The transfer agent and the registrar of the Company is National Securities Administrators Ltd., #760 - 777 Hornby St., Vancouver, British Columbia, Canada V6Z 1S4.

## MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company within two years prior to the date hereof which are currently in effect and considered to be currently material:

1. Corporate management agreement dated January 1, 2018, with Partum Advisory Services Corp. (formerly known as Pender Street Corporate Consulting Ltd.) to provide management, accounting and administrative services to the Company.
2. Purchase Agreement for the Property between the Company and Stella-Jones Canada Inc.
3. Pooling Agreement between the Company, Steven Bowering, Nicco Dehaan, Timothy O'Donnell and Jason Taylor and National Securities Administrators Ltd. dated October 18, 2018. This agreement describes the terms of the voluntary pooling arrangement as described in this Prospectus under "Escrowed Securities and Pooling Arrangements".
4. Escrow Agreement between the Company, Steven Bowering, Nicco Dehaan, Joel Dumaresq, Timothy O'Donnell, Jason Taylor, Gil Playford, Anita Taylor, Marousa Dumaresq, Peter Nguyen and National Securities Administrators Ltd. This agreement describes the terms of the escrow agreement as described in this Prospectus under "Escrowed Securities and Pooling Arrangements".
5. Transfer Agent and Registrar Agreement between the Company and National Company Services Ltd. dated March 9, 2018.
6. Agreement between the Company and CCI dated October 23, 2018 to provide guidance, advice, and prepare the Company in the development and preparation of the Facility for federal licensing.
7. Purchase Agreement for an additional 99 acres of land between the Company and Ponderosa Estates Ltd.

Copies of all material contracts and reports referred to in this Prospectus may be inspected at the registered office of the Company located at Suite 810 – 789 Pender Street, Vancouver, British Columbia V6C 1H2 during normal business hours, as well as under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## INTEREST OF EXPERTS

No person or Company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of the Company or any Associate or Affiliate of the Company.

The audited financial statements included in this Prospectus have been subject to audit by Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants ("DMCHL") and their audit report is included herein. DMCHL, is independent in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

## OTHER MATERIAL FACTS

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

## **FINANCIAL STATEMENTS**

Attached to and forming a part of this Prospectus as Schedule “A” are the following financial statements:

- Audited financial statements of the Company for the years ended November 30, 2019, 2018 and 2017.

Attached to and forming part of this Prospectus as Schedule B are the corresponding management’s discussion and analysis.

**SCHEDULE "A"**

**FINANCIAL STATEMENTS OF THE COMPANY**

Audited financial statements of the Company for the years ended November 30, 2019, 2018, 2017

**Christina Lake Cannabis Corp.**  
**Financial Statements**  
**Year Ended November 30, 2019 and 2018**  
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Christina Lake Cannabis Corp.

### Opinion

We have audited the financial statements of Christina Lake Cannabis Corp. (the "Company"), which comprise the statements of financial position as at November 30, 2019 and 2018, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

March 30, 2020



An independent firm  
associated with Moore  
Global Network Limited

Christina Lake Cannabis Corp.  
 Statements of Financial Position  
 (Expressed in Canadian Dollars)

As at	Notes	November 30, 2019	November 30, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 740,973	\$ 1,311,382
GST receivable		180,348	4,369
Prepaid expenses		6,130	-
Subscription receivable	6	95,005	154,666
		1,022,456	1,470,417
<b>Non-current assets</b>			
Property, plant and equipment	3	5,180,334	863,505
<b>TOTAL ASSETS</b>		<b>\$ 6,202,790</b>	<b>\$ 2,333,922</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4,5	\$ 421,467	\$ 73,325
<b>TOTAL LIABILITIES</b>		421,467	73,325
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	8,093,927	3,044,898
Obligation to issue shares	6	104,932	-
Reserves	6	539,940	10,863
Deficit		(2,957,476)	(795,164)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		5,781,323	2,260,597
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 6,202,790</b>	<b>\$ 2,333,922</b>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 10)

Approved on behalf of the Board:

“Joel Dumaresq”

\_\_\_\_\_  
 Joel Dumaresq, Director

“Jason Taylor”

\_\_\_\_\_  
 Jason Taylor, Director

Christina Lake Cannabis Corp.  
 Statements of Comprehensive Loss  
 (Expressed in Canadian Dollars)

	Notes	Year ended November 30, 2019	Year ended November 30, 2018
<b>Expenses</b>			
Consulting fees	5	\$ 365,682	\$ 261,999
Office and miscellaneous		159,759	5,525
Professional fees		183,161	5,073
Rent	5	8,000	12,000
Salaries	5	317,023	40,431
Share based compensation	5,6	1,103,842	250,000
Transfer agent		24,845	9,510
<b>Total Expenses</b>		(2,162,312)	(584,538)
<b>Loss and comprehensive loss for the year</b>		<b>\$ (2,162,312)</b>	<b>\$ (584,538)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.04)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>		<b>53,438,695</b>	<b>11,622,932</b>

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

Christina Lake Cannabis Corp.  
Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Note	Share capital		Obligation to issue shares \$	Reserves \$	Deficit \$	Total \$
		Number of shares #	Amount \$				
<b>Balance at November 30, 2017</b>		<b>7,747,600</b>	<b>194,750</b>	-	-	<b>(210,626)</b>	<b>(15,876)</b>
Loss and comprehensive loss for the year		-	-	-	-	(584,538)	(584,538)
Private placements	6	33,044,005	2,973,960	-	-	-	2,973,960
Share issuance cost	6	-	(123,812)	-	10,863	-	(112,949)
<b>Balance at November 30, 2018</b>		<b>40,791,605</b>	<b>3,044,898</b>	-	<b>10,863</b>	<b>(795,164)</b>	<b>2,260,597</b>
Loss and comprehensive loss for the year		-	-	-	-	(2,162,312)	(2,162,312)
Private placements	6	30,327,597	4,704,080	-	-	-	4,704,080
Shares for consulting services	6	5,000,000	500,000	-	-	-	500,000
Share issuance costs	6	-	(155,051)	-	30,167	-	(124,884)
Obligation to issue shares	6	-	-	104,932	-	-	104,932
Share based compensation	6	-	-	-	498,910	-	498,910
<b>Balance at November 30, 2019</b>		<b>76,119,202</b>	<b>8,093,927</b>	<b>104,932</b>	<b>539,940</b>	<b>(2,957,476)</b>	<b>5,781,323</b>

Christina Lake Cannabis Corp.  
 Statements of Cash Flows  
 (Expressed in Canadian Dollars)

<b>Year ended,</b>	<b>November 30, 2019</b>	<b>November 30, 2018</b>
Operating activities		
Net loss for the year	\$ (2,162,312)	\$ (584,538)
Non-cash items:		
Share-based compensation	1,103,842	250,000
Shares issued for consulting fees	126,020	-
Changes in non-cash working capital items:		
Increase in GST receivable	(175,979)	(2,419)
Increase in prepaid	(6,130)	
Increase in accounts payable and accrued liabilities	52,365	49,427
<b>Net cash flows used in operating activities</b>	<b>(1,062,194)</b>	<b>(287,530)</b>
<b>Financing activities</b>		
Private placements	4,463,055	2,456,345
Subscription receivable	154,666	-
Share issuance costs	(124,884)	-
<b>Net cash flows from financing activities</b>	<b>4,492,837</b>	<b>2,456,345</b>
<b>Investing activities</b>		
Acquisition of land and building	(619,767)	(863,505)
Acquisition of equipment	(225,394)	-
Building improvements incurred	(3,155,891)	-
<b>Net cash flows used in investing activities</b>	<b>(4,001,052)</b>	<b>(863,505)</b>
Increase (decrease) in cash	(570,409)	1,305,310
Cash, beginning of year	1,311,382	6,072
<b>Cash, end of year</b>	<b>\$ 740,973</b>	<b>\$ 1,311,382</b>

Supplemental non-cash flow information:

	<b>Year ended</b>	<b>Year ended</b>
	<b>November 30, 2019</b>	<b>November 30, 2018</b>
	<b>\$</b>	<b>\$</b>
Building improvements in accounts payable	315,777	-
Fair value of finders warrants	30,167	10,863

The accompanying notes are an integral part of these financial statements

**1. Nature and continuance of operations**

Christina Lake Cannabis Corp. (the “Company”) was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company is engaged in the business of becoming a licensed cannabis producer in British Columbia. On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp.

The Company’s principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company is in the development stage and currently has no sources of cash from operations. Further funds will be required to successfully develop the Company’s business and there is no certainty that these funds will be available. As at November 30, 2019 the Company had accumulated losses of \$2,957,476 (2018 - \$795,164). Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with equity and debt financings, and loans from directors and companies controlled by directors and or profits from its business activities.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

**2. Significant accounting policies**

***Basis of presentation***

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

These audited annual financial statements were approved and authorized for issue on March 30, 2020 by the directors of the Company.

***Significant estimates and assumptions***

The preparation of the Company’s financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments, valuation of properties and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

## 2. Significant accounting policies (continued)

### *Significant judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the classification of expenditures as building improvements to be capitalized or as operating costs which are expensed; the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

### *Loss per share*

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

### *Property, Plant and Equipment*

Property, plant and equipment (included land, building and building improvement) are stated at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation commences once an asset is ready for its intended use. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from properties and any gain or loss is reflected as a gain or loss from operations.

The estimated useful lives are:

Building and building improvements	20 years
Equipment	5 years

### *Impairment of assets*

The Company performs impairment tests on its property and equipment when new events or circumstances occur or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is the greater of an asset's fair value less costs to sell and value in use. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

**2. Significant accounting policies (continued)**

***Share capital***

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in reserve is transferred to capital stock.

***Income taxes***

**Current income tax:**

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

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

**Deferred income tax:**

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

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

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

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

**New standards adopted**

***Financial instruments***

The Company adopted all of the requirements of IFRS 9 Financial Instruments on December 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.



**2. Significant accounting policies (continued)**

**New standards adopted (Continued)**

*Financial instruments (Continued)*

The following is the Company's new accounting policy for financial instruments under IFRS 9:

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at December 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Original classification IAS 39</u>	<u>New classification IFRS 9</u>
Cash	Loans and receivable	Amortized cost
Subscriptions receivable	Loans and receivable	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on December 1, 2018.

*Measurement*

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

**2. Significant accounting policies (continued)**

**New standards adopted (Continued)**

*Financial instruments (Continued)*

*Financial assets through other comprehensive income (“FVTOCI”)*

Financial assets that meet the following conditions are measured at FVTOCI:

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

*Equity instruments designated as FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**Derecognition**

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

**2. Significant accounting policies (continued)**

***IFRS 15, Revenue from Contracts with Customers***

The Company adopted IFRS 15 – Revenue from contracts with customers on December 1, 2018 in accordance with the transitional provisions of the standard. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

Since the Company has no revenues from contracts with customers, there was no material impact on the Company’s financial statements upon adoption of this standard.

***New accounting standards issued but not yet effective***

IFRS 16 – Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has determined that the adoption of this standard will not have a material impact on its financial statement as it does not have any leases.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

**3. Property, plant and equipment**

On October 16, 2018, the Company acquired 32 acres of industrial zoned agricultural land in Christina Lake, British Columbia for consideration of \$863,505. The property’s existing infrastructure includes a 6,000 square foot steel framed building, which is currently being retrofitted for offices, personnel rooms, as well as a cannabis nursery and a cultivation room. These building improvements are capitalized. The property is in the process of meeting all provincial, municipal and federal requirements for licensing. The purchase price was allocated to the land and building based on management’s estimate of their relative fair values on November 30, 2018.

On February 26, 2019, the Company entered into a purchase agreement to acquire an adjacent 99-acre parcel of industrially-zoned agricultural land (“Ponderosa”) for \$619,767 including taxes and fees. The Company is currently seeking to obtain provincial, municipal and federal approval so that the Ponderosa property meets all requirements for licensing.

**3. Property, plant and equipment (Continued)**

	Equipment \$	Land \$	Building \$	Building improvement \$	Total \$
Year ended November 30, 2017	-	-	-	-	-
Additions	-	468,630	394,875	-	863,505
Year ended November 30, 2018	-	468,630	394,875	-	863,505
Additions	225,394	619,767	-	3,471,668	4,316,829
Year ended November 30, 2019	225,394	1,088,397	394,875	3,471,668	5,180,334

The property, plant and equipment are not yet ready for its intended use and no depreciation has been recorded for the year ended November 30, 2019.

**4. Accounts payable and accrued liabilities**

	November 30, 2019 \$	November 30, 2018 \$
Accounts payable	343,467	69,825
Accrued liabilities	48,000	3,500
Deposits	30,000	20,000
	<b>\$ 421,467</b>	<b>\$ 73,325</b>

During the year ended November 30, 2019, the Company received \$30,000 in deposits toward a convertible debenture financing, which has not closed as of the date of these financial statements (Note 10). As at November 30, 2018, there were deposits received of \$20,000, which were applied to private placement units issued during the year ended November 30, 2019.

**5. Related party transactions and balances**

The Company has identified its directors and certain senior officers as its key management personnel.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the years ended November 30, 2019 and 2018:

	November 30, 2019 \$	November 30, 2018 \$
Consulting fees paid to a private company controlled by the former CEO	72,205	12,000
Consulting fees paid to directors of the Company	30,000	-
Consulting fees paid to a private company jointly controlled by the CFO	126,020	12,000
Salaries paid to related parties	270,000	-
Shares issued in lieu of cash for consulting fees (Note 6)	479,932	-
Share based compensation	201,419	-
	<b>1,179,576</b>	<b>24,000</b>

As at November 30, 2019, there was \$31,050 (November 30, 2018 - \$16,760) included in accounts payable for directors of the Company. The balance is unsecured, due on demand and are non-interest bearing.

**5. Related party transactions and balances**

As at November 30, 2019, \$Nil (November 30, 2018 - \$33,333) of the subscription receivable was owing from one of the Company's officers and his family members.

During the year ended November 30, 2019, the Company paid rent of \$8,000 to a private company jointly controlled by the CFO (2018 - \$Nil).

During the year ended November 30, 2019, the Company issued 735,000 units to the CFO in lieu of cash for consulting fees in the amount of \$126,020 (Note 6).

During the year ended November 30, 2019, the Company issued 3,750,000 common shares with a fair value of \$375,000 to directors of the Company for consulting services (Note 6).

The Company was obligated to issue 604,110 shares to the former CEO of the Company as part of his employment agreement, which is recorded as obligation to issue shares of \$104,932 at November 30, 2019. These shares were issued subsequent to November 30, 2019 (Notes 6 and 10).

**6. Share Capital**

*Authorized share capital*

Unlimited number of common shares without par value.

*Issued share capital*

At November 30, 2019, there were 76,119,202 (2018 - 40,791,605) issued and fully paid common shares outstanding.

*Share issuances for the year ended November 30, 2019*

On April 26, 2019, the Company issued 11,490,000 units at a price of \$0.10 per unit for gross proceeds of \$1,149,000. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of \$0.20 until April 26, 2020. The Company incurred cash finder's fees of \$31,800 and issued 318,000 finder's warrants with a fair value of \$6,200. Each finder warrant entitling the holder to acquire one additional common share at \$0.20 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.10; exercise price - \$0.20; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.72%.

On June 26, 2019, the Company issued 2,125,000 units at a price of \$0.10 per unit for gross proceeds of \$212,500. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of \$0.20 until June 26, 2020. The Company issued 148,750 finder's warrants with a fair value of \$2,835. Each finder warrant entitling the holder to acquire one additional common share at \$0.20 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.10; exercise price - \$0.20; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.70%.

On July 10, 2019, the Company issued 5,000,000 common shares for services with a fair value of \$500,000, which was recorded as share based compensation, of which \$375,000 was for directors (Note 5). These shares are subject to an escrow agreement.

## 6. Share Capital (Continued)

On September 20, 2019, the Company issued 12,125,000 units at a price of \$0.20 per unit for gross proceeds of \$2,425,000. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 until September 20, 2020. The Company paid finders fees of \$72,924 and issued 442,200 finder's warrants with a fair value of \$17,210. Each finder warrant entitling the holder to acquire one additional common share at \$0.40 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.20; exercise price - \$0.40; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.59%.

On October 17, 2019, the Company issued 4,587,597 units at a price of \$0.20 per unit for gross proceeds of \$917,580. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 until October 17, 2020. The Company paid finders fees of \$20,160 and issued 100,800 finder's warrants with a fair value of \$3,922. Each finder warrant entitling the holder to acquire one additional common share at \$0.40 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.20; exercise price - \$0.40; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.68%.

During the year ended November 30, 2019, the Company recorded a share subscription receivable of \$95,005, which was collected subsequent to year end.

Included in the private placements during the year ended November 30, 2019, 735,000 units were issued to the CFO in lieu of cash for consulting fees in the amount of \$126,020 (Note 5).

The Company was obligated to issue 604,110 shares to the former CEO of the Company as part of his employment agreement, which is recorded as obligation to issue shares of \$104,932 at November 30, 2019. These shares were issued subsequent to November 30, 2019 (Notes 5 and 10).

### *Share issuances for the year ended November 30, 2018*

In October and November 2018, the Company issued 28,044,005 units at a price of \$0.09 per Unit for gross proceeds of \$2,523,960, of which \$154,666 was recorded in subscription receivable and received subsequent to November 30, 2018. Each unit consists of one common share and one common share purchase warrant; each warrant is exercisable into one common share, expire one year from the date of issuance and have an exercise price of \$0.30. In consideration for their services, the underwriters received a cash commission of \$90,269 and the Company paid other finder's fees of \$22,680. A total of 1,248,019 finder's warrants were granted with a fair value of \$10,863; each finder warrant entitling the holder to acquire one additional common share at \$0.30 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.09; exercise price - \$0.30; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.22%.

On October 22, 2018, the Company issued 5,000,000 units at a price of \$0.04 per common share for gross proceeds of \$200,000. Each unit consists of one common share and one-half common share purchase warrant; each whole warrant is exercisable into one common share, expire 4 years from the date of issuance and have an exercise price of \$0.09. The Company determined that the fair value of the units was \$0.09 per unit and recorded a share based payment of \$250,000. These shares are subject to a pooling arrangement.

**6. Share Capital (Continued)**

**Escrow Shares**

As at November 30, 2019, 5,000,000 shares are held in escrow and will be released based on the following:

On the date on which the Company is listed on the Canadian Securities Exchange (“Listing Date”), 500,000 common shares will be released from escrow. The remaining 4,500,000 common shares will be released pursuant to the following schedule:

6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	the remaining escrow securities

**Pooled Shares**

As at November 30, 2019, 5,000,000 common shares are held in a pooling arrangement. If the shareholder’s employment terminates within two years, the Company has the option to repurchase these shares from the shareholders at the deemed issuance price of \$0.04 per unit. The common shares will be released on October 18, 2020.

**Warrants**

The continuity of the Company's share purchase warrants pursuant is as follows:

	Number of share purchase warrants #	Weighted average exercise price \$
Outstanding, November 30, 2017	-	-
Granted	31,792,024	0.30
Outstanding, November, 30, 2018	31,792,024	0.30
Granted	16,173,549	0.31
Expired	(29,292,024)	0.30
Cancelled	(1,040,000)	0.09
Outstanding, November 30, 2019	17,633,549	0.29

As of November 30, 2019, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price \$	Number of warrants #
April 26, 2020	0.20	6,063,000
June 26, 2020	0.20	1,211,250
October 22, 2022	0.09	1,460,000
September 20, 2020	0.40	6,504,700
October 17, 2020	0.40	2,394,599
		17,633,549

The weighted average life of the Company’s warrants is 0.84 years.

**6. Share Capital (Continued)**

**Stock Options**

On March 1, 2017, the Board of Directors approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding shares of the Company, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with the 2018 Plan which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan is substantively similar to the Stock Option Plan except that it increases the number of common shares reserved under it. The 2018 Plan reserves 8,158,321 common shares (which represents 20% of the Company's outstanding common shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

On June 1, 2019, the Company issued 6,570,000 options to consultants, directors and management, with a fair value of \$498,430, to acquire one additional common share at a price of \$0.09 until June 1, 2024. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.10; exercise price - \$0.09; expected life - 5 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.35%. The Company cancelled 1,500,000 stock options.

On August 14, 2019, the Company issued 10,000 Options to a consultant, with a fair value of \$480, to acquire one additional common share at a price of \$0.20 until August 14, 2022. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.10; exercise price - \$0.20; expected life - 3 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 1.29%.

The continuity of the Company's share purchase options is as follows:

	Number of share purchase options #	Weighted average exercise price \$
Outstanding, November 30, 2018	-	-
Granted	6,580,000	0.09
Cancelled	(1,500,000)	0.09
Outstanding, November 30, 2019	5,080,000	0.09

As of November 30, 2019, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price \$	Number of options #
June 1, 2024	0.09	5,070,000
August 14, 2022	0.20	10,000
		5,080,000

The weighted average life of the Company's options is 4.5 years.

**Reserve**

The reserve account records items recognized as stock-based compensation expense and the fair value of finders' warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital.



## 7. Financial instruments

The Company classifies its financial instruments into categories as follows: cash and subscriptions receivable as financial assets at amortized cost, and accounts payable as other financial liabilities at amortized cost.

### *Fair value*

Cash is carried at fair market value based on quoted market prices in an active market. The carrying value of accounts payable approximate its fair values due to the short-term nature of these financial instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

Cash is measured using Level 1 inputs.

## 8. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and subscription receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low. Subscription receivable was owed by subscribers to the Company's private placements. Credit risk related to subscription receivable was assessed as low.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of November 30, 2019, the Company has sufficient cash of \$740,973 (2018 - \$1,311,382) to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

### Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

**8. Financial risk and capital management (Continued)**

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2019, the Company did not have any financial instruments subject to interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**9. Income Taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	<b>November 30, 2019</b>	<b>November 30, 2018</b>
Net loss before income taxes	\$ (2,162,312)	\$ (584,538)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(583,824)	(157,825)
Permanent differences	274,384	35,133
Effect on change of tax rates	-	(2,106)
Changes in valuation allowance	309,440	124,798
Income tax recovery	\$ -	\$ -

At November 30, 2019, the Company has non-capital losses of \$1,637,000 (November 30, 2018: \$564,000) which expire as follows: \$25,384 in 2035 and \$8,298 in 2036, \$173,194 in 2037, \$356,942 in 2038, and \$1,073,102 in 2039 and share issuance costs of \$174,195 available for future deduction. No deferred tax asset has been recognized in relation to these deductible temporary differences.

**10. Subsequent events**

Subsequent to year end, the Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company will issue 604,110 compensation shares and pay an aggregate of \$51,662 over a six-month period. The Company recorded an obligation to issue shares of \$104,932 (Note 6).

Subsequent to year end, the Company extended the expiry date of 5,745,000 warrants with an expiry of April 26, 2020 to December 31, 2020 and 2,293,799 warrants with an expiry of October 17, 2020 to December 31, 2021.

Subsequent to year end, the Company granted 1,540,000 stock options to employees, which are exercisable at \$0.09 for a period of 5 years. The options vest as 1/3 on the date of grant, 1/3 on the first anniversary, and 1/3 on the second anniversary.

Subsequent to year end, the Company closed two tranches of a convertible debenture financing for gross proceeds of \$2,610,000. The convertible debentures mature 24 months after closing, bear interest at 12% per annum, and are convertible into common shares at a conversion price of \$0.20. During the year ended November 30, 2019, the Company received \$30,000 in deposits toward a subsequent convertible debenture offering (Note 4).

**Christina Lake Cannabis Corp.**  
**(formerly Cervantes Capital Corp.)**  
**Financial Statements**  
**Year Ended November 30, 2018**  
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Christina Lake Cannabis Corp. (formerly Cervantes Capital Corp.):

We have audited the accompanying financial statements of Christina Lake Cannabis Corp., which comprise of the statements of financial position as at November 30, 2018 and 2017, and the statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Christina Lake Cannabis Corp. as at November 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Christina Lake Cannabis Corp.'s ability to continue as a going concern.

A handwritten signature in black ink that reads "DMCL".

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
January 17, 2019

Christina Lake Cannabis Corp.  
(formerly Cervantes Capital Corp.)  
Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	November 30, 2018	November 30, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,311,382	\$ 6,072
GST receivable		4,369	1,950
Subscription receivable	6,9	154,666	-
		1,470,417	8,022
<b>Non-current assets</b>			
Property	3	863,505	-
<b>TOTAL ASSETS</b>		<b>\$ 2,333,922</b>	<b>\$ 8,022</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	\$ 73,325	\$ 23,898
<b>TOTAL LIABILITIES</b>		<b>73,325</b>	<b>23,898</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	6	3,044,898	194,750
Reserve	6	10,863	-
Deficit		(795,164)	(210,626)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>2,260,597</b>	<b>(15,876)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$ 2,333,922</b>	<b>\$ 8,022</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 9)

Approved on behalf of the Board:

“Joel Dumaresq”

Joel Dumaresq, Director

“Arie Prins”

Arie Prins, Director

Christina Lake Cannabis Corp.  
(formerly Cervantes Capital Corp.)  
Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

	Notes	Year ended November 30, 2018	Year ended November 30, 2017
<b>Expenses</b>			
Consulting fees	5	\$ 261,999	\$ 120,000
Director fees	5	-	6,000
Office and miscellaneous		5,525	4,581
Professional fees		5,073	7,086
Rent	5	12,000	1,000
Salaries		40,431	-
Share based compensation	6	250,000	-
Transfer agent		9,510	9,527
<b>Total Expenses</b>		(584,538)	(148,194)
<b>Other Item</b>			
Loss on shares for debt		-	(28,750)
<b>Loss and comprehensive loss for the year</b>		<b>\$ (584,538)</b>	<b>\$ (176,944)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.05)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>		<b>11,622,932</b>	<b>4,057,874</b>

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

Christina Lake Cannabis Corp.  
(formerly Cervantes Capital Corp.)  
Statement of Changes in Shareholders' Equity (Deficiency)  
(Expressed in Canadian Dollars)

	Note	Share capital		Reserves	Deficit	Total
		Number of shares #	Amount \$			
<b>Balance at November 30, 2016</b>		<b>997,600</b>	<b>26,000</b>	-	<b>(33,682)</b>	<b>(7,682)</b>
Loss and comprehensive loss for the year		-	-	-	(176,944)	(176,944)
Shares issued to settle debt		5,750,000	143,750	-	-	143,750
Consulting fee shares		1,000,000	25,000	-	-	25,000
<b>Balance at November 30, 2017</b>		<b>7,747,600</b>	<b>194,750</b>	-	<b>(210,626)</b>	<b>(15,876)</b>
Loss and comprehensive loss for the year		-	-	-	(584,538)	(584,538)
Private placements	6	33,044,005	2,973,960	-	-	2,973,960
Share issuance cost	6	-	(123,812)	10,863	-	(112,949)
<b>Balance at November 30, 2018</b>		<b>40,791,605</b>	<b>3,044,898</b>	<b>10,863</b>	<b>(795,164)</b>	<b>2,260,597</b>

The accompanying notes are an integral part of these financial statements

Christina Lake Cannabis Corp.  
(formerly Cervantes Capital Corp.)  
Statements of Cash Flows  
(Expressed in Canadian Dollars)

	Year ended November 30, 2018	Year ended November 30, 2017
<b>Operating activities</b>		
Net loss for the year	\$ (584,538)	\$ (176,944)
Non-cash items:		
Loss on shares for debt	-	28,750
Share-based compensation	250,000	-
Consulting fee shares issued	-	25,000
Changes in non-cash working capital items:		
Increase in receivables	(2,419)	(1,950)
Increase in accounts payable and accrued liabilities	49,427	131,216
<b>Net cash flows from (used) in operating activities</b>	<b>(287,530)</b>	<b>6,072</b>
<b>Financing activities</b>		
Private placement	2,456,345	-
<b>Net cash flows from financing activities</b>	<b>2,456,345</b>	<b>-</b>
<b>Investing activities</b>		
Acquisition of land and building	(863,505)	-
<b>Net cash flows used in investing activities</b>	<b>(863,505)</b>	<b>-</b>
Increase in cash	1,305,310	6,072
Cash, beginning of year	6,072	-
<b>Cash, end of year</b>	<b>\$ 1,311,382</b>	<b>\$ 6,072</b>

Supplemental non-cash flow information:

	Year ended November 30, 2018	Year ended November 30, 2017
Fair value of shares issued to settle debt	\$ -	\$ 143,750
Fair value of finders warrants	\$ 10,863	\$ -



**1. Nature and continuance of operations**

Christina Lake Cannabis Corp. (formerly Cervantes Capital Corp.) (the “Company”) was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company is engaged in the business of becoming a licensed cannabis producer in British Columbia. On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp.

The Company’s principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company is in the development stage and currently has no sources of cash from operations. Further funds will be required to successfully develop the Company’s business and there is no certainty that these funds will be available. As at November 30, 2018 the Company had accumulated losses of \$795,164. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

**2. Significant accounting policies**

***Basis of presentation***

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

These audited annual financial statements were approved and authorized for issue on January 17, 2019 by the directors of the Company.

***Significant estimates and assumptions***

The preparation of the Company’s financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments, valuation of properties and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

## 2. Significant accounting policies (cont'd)

### *Significant judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty

### *Loss per share*

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

### *Properties*

Properties (included land and building) are stated at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from properties and any gain or loss is reflected as a gain or loss from operations.

The estimated useful lives are:

Building	20 years
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### *Impairment of assets*

The Company performs impairment tests on its property and equipment, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is evaluated using fair value less costs to sell calculations. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

## 2. Significant accounting policies (cont'd)

### *Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in reserve is transferred to capital stock.

### *Financial instruments*

The Company classifies its financial instruments in the following categories: loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

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

Non-derivative financial liabilities (excluding financial guarantees) classified as other financial liabilities are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset. Other financial liabilities include accounts payable.

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

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

### *Income taxes*

#### Current income tax:

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

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

## 2. Significant accounting policies (cont'd)

### Deferred income tax:

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

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

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

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

### *New accounting standards issued but not yet effective*

IFRS 9, Financial Instruments: Classification and Measurement, issued in December 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2018. The Company determined that there is no impact of the adoption of this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company determined that there is no impact of the adoption of this standard on its financial statements.

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not early adopted this new standard and does not expect it to have a material effect on the Company's future results and financial operations.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Christina Lake Cannabis Corp.  
 (formerly Cervantes Capital Corp.)  
 Notes to the financial statements  
 For the years ended November 30, 2018 and 2017  
 (Expressed in Canadian Dollars)

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**3. Property**

On October 16, 2018, the Company acquired 32 acres of industrial zoned agricultural land in Christina Lake, British Columbia from an arm's length party, and paid \$863,505. The purchase price was allocated to the land and building based on management's estimate of their relative fair values as follows:

Purchase price	\$ 863,505
Assets	
Building	394,875
Land	468,630
<b>Total assets acquired</b>	<b>\$ 863,505</b>

The building is not yet ready for its intended use and no amortization has been recorded for the year ended November 30, 2018.

**4. Accounts payable and accrued liabilities**

	<b>November 30, 2018</b>	<b>November 30, 2017</b>
Accounts payable	\$ 69,825	\$ 20,398
Accrued liabilities	3,500	3,500
	<b>\$ 73,325</b>	<b>\$ 23,898</b>

Included in accounts payable are amounts totaling \$16,760 (November 30, 2017 - \$16,800) due to related parties (Note 5).

**5. Related party transactions and balances**

The Company has identified its directors and certain senior officers as its key management personnel.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the years ended November 30, 2018 and 2017:

	<b>November 30, 2018</b>	<b>November 30, 2017</b>
Consulting fees paid to a private company controlled by the former CEO	\$ 12,000	\$ -
Consulting on director fees paid to former directors and officers	-	92,000
Rent fees paid to a private company jointly controlled by the CFO	12,000	-
	<b>\$ 24,000</b>	<b>\$ 92,000</b>

**5. Related party transactions and balances**

As at November 30, 2018, there was \$16,760 (November 30, 2017 - \$16,800) included in accounts payable and an \$18,402 advance owing to a company controlled by an individual who is an officer and director of the Company. The balances are unsecured, due on demand and is non-interest bearing.

As at November 30, 2018, \$33,333 of the subscription receivable was owing from one of the Company's officers and his family members. The balance was subsequently received (Note 9).

**6. Share Capital**

*Authorized share capital*

Unlimited number of common shares without par value.

*Issued share capital*

At November 30, 2018 there were 40,791,605 issued and fully paid common shares outstanding.

*Share issuances for the year ended November 30, 2018*

In October and November 2018, the Company issued 28,044,005 units at a price of \$0.09 per Unit ("Unit") for gross proceeds of \$2,523,960, of which \$154,666 was recorded in subscription receivable and received subsequent to November 30, 2018 (Note 9). Each Unit consists of one common share and one common share purchase warrant; each warrant is exercisable into one common share, expire one year from the date of issuance and have an exercise price of \$0.30. In consideration for their services, the underwriters received a cash commission of \$90,269 and the Company paid other finder's fees of \$22,680. A total of 1,248,019 finder's warrants were granted with a fair value of \$10,863; each finder warrant entitling the holder to acquire one additional common share at \$0.30 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.09; exercise price - \$0.30; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.22%.

On October 22, 2018, the Company issued 5,000,000 Units at a price of \$0.04 per common share for gross proceeds of \$200,000. Each Unit consists of one common share and one half common share purchase warrant; each whole warrant is exercisable into one common share, expire 4 years from the date of issuance and have an exercise price of \$0.09. The Company determined that the fair value of the Units was \$0.09 per Unit and recorded a share based payment of \$250,000.

*Share issuances for the year ended November 30, 2017*

On October 25, 2017, the Company issued 1,000,000 common shares with a fair value of \$25,000 as a finder's fee and accounted for as a consulting fee for work done.

On May 26, 2017 the Company issued 5,750,000 common shares with a fair value of \$143,750 to settle loans payable of \$115,000. A resulting loss on debt settlement of \$28,750 was recognized. Of this issuance, 5,600,000 common shares were issued to related parties of the Company to settle loans payable of \$112,000. A resulting loss on debt settlement of \$28,000 related to the shares issued to related parties.

**6. Share capital (cont'd)**

**Warrants**

The continuity of the Company's share purchase warrants pursuant is as follows:

	Number of share purchase warrants #	Weighted average exercise price \$
Outstanding, November 30, 2016 and 2017	-	-
Granted	31,792,024	0.30
Outstanding, November, 30, 2018	31,792,024	0.30

As of November 30, 2018, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price \$	Number of warrants #
October 12, 2019	0.30	20,608,963
October 29, 2019	0.30	6,683,061
November 2, 2019	0.30	2,000,000
October 22, 2022	0.09	2,500,000
		31,792,024

**Reserve**

The reserve account records items recognized as stock-based compensation expense and the fair value of finders' warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital.

**Stock Options**

On March 1, 2017, the Board of Directors approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding shares of the Company, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with the 2018 Plan which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan is substantively similar to the Stock Option Plan except that it increases the number of common shares reserved under it. The 2018 Plan reserves 8,158,321 common shares (which represents 20% of the Company's outstanding common shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

There were no options granted during the years ended November 30, 2018 and 2017.

## **7. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and subscription receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low. Subscription receivable was owed by subscribers to the Company's private placements. Credit risk related to subscription receivable was assessed as low.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of November 30, 2018, the Company has sufficient working capital of \$1,397,092 to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as low.

### Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2018, the Company did not have any financial instruments subject to interest rate risk.

### Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.



**8. Income Taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	<b>November 30, 2018</b>	<b>November 30, 2017</b>
Net loss before income taxes	\$ (584,538)	\$ (176,944)
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	(157,825)	(46,005)
Permanent differences	35,133	-
Effect on change of tax rates	(2,106)	-
Changes in valuation allowance	124,798	46,005
Income tax recovery	\$ -	\$ -

At November 30, 2018, the Company has non-capital losses of \$566,000 (November 30, 2017: \$207,000) which expire as follows: \$25,384 in 2035 and \$8,298 in 2036, \$173,194 in 2037 and \$359,116 in 2038 and share issuance costs of \$99,050 available for future deduction. No deferred tax asset has been recognized in relation to these losses.

**9. Subsequent Events**

On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp.

Subsequent to November 30, 2018, the Company received \$154,666 in subscriptions for a private placement that closed on November 2, 2018.

Subsequent to November 30, 2018, the Company announced that Eugene Beukman had resigned as a director and officer of the Company. The following appointments/re-appointments have been made:

- Arie Prins – CEO and director
- Joel Dumaresq – CFO and director
- Timothy O'Donnell – Corporate Secretary

Jason Taylor, Nicco Dehaan and Peter Nguyen were also newly appointed as directors and Vincente Benjamin Asuncion was re-appointed as a director.

**Cervantes Capital Corp.**  
**Financial Statements**  
**Year Ended November 30, 2017**  
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cervantes Capital Corp.:

We have audited the accompanying financial statements of Cervantes Capital Corp., which comprise of the statements of financial position as at November 30, 2017 and 2016, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cervantes Capital Corp. as at November 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cervantes Capital Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
March 13, 2018

Cervantes Capital Corp.  
 Statements of Financial Position  
 (Expressed in Canadian Dollars)

	Notes	November 30, 2017	November 30, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 6,072	\$ -
GST receivable		1,950	-
<b>TOTAL ASSETS</b>		<b>\$ 8,022</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	3,4	\$ 20,398	\$ 4,682
Accrued liabilities	3	3,500	3,000
<b>TOTAL LIABILITIES</b>		<b>\$ 23,898</b>	<b>\$ 7,682</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	194,750	26,000
Deficit		(210,626)	(33,682)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>(15,876)</b>	<b>(7,682)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 8,022</b>	<b>\$ -</b>

**Nature and continuance of operations** (Note 1)

Approved on behalf of the Board:

*"Joel Dumaresq"*

Joel Dumaresq, Director

*"Eugene Beukman"*

Eugene Beukman, Director

Cervantes Capital Corp.  
 Statements of Comprehensive Loss  
 (Expressed in Canadian Dollars)

	Notes	Year ended November 30, 2017	Year ended November 30, 2016
<b>Expenses</b>			
Consulting fees	4,5	\$ 120,000	\$ -
Director fees	4	6,000	-
Office and miscellaneous		4,581	1,230
Professional fees		7,086	6,856
Rent		1,000	-
Transfer Agent		9,527	787
<b>Total Expenses</b>		<b>(148,194)</b>	<b>(8,873)</b>
<b>Other Items</b>			
Gain (Loss) on shares for debt	5	(28,750)	575
<b>Loss and comprehensive loss for the year</b>		<b>\$ (176,944)</b>	<b>\$ (8,298)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.04)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>4,057,874</b>	<b>589,929</b>

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

Cervantes Capital Corp.  
Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Share capital		Deficit	Total	
	Note	Number of shares			Amount
<b>Balance at November 30, 2015</b>		<b>397,600</b>	<b>11,000</b>	<b>(25,384)</b>	<b>(14,384)</b>
Comprehensive loss for the year		-	-	(8,298)	(8,298)
Shares issued to settle debt	5	600,000	15,000	-	15,000
<b>Balance at November 30, 2016</b>		<b>997,600</b>	<b>26,000</b>	<b>(33,682)</b>	<b>(7,682)</b>
Comprehensive loss for the year		-	-	(176,944)	(176,944)
Shares issued to settle debt	5	5,750,000	143,750	-	143,750
Consulting fee shares	5	1,000,000	25,000	-	25,000
<b>Balance at November 30, 2017</b>		<b>7,747,600</b>	<b>\$ 194,750</b>	<b>\$ (210,626)</b>	<b>\$ (15,876)</b>

Cervantes Capital Corp.  
 Statements of Cash Flows  
 (Expressed in Canadian Dollars)

	Year ended November 30, 2017	Year ended November 30, 2016
<b>Operating activities</b>		
Comprehensive loss for the year	\$ (176,944)	\$ (8,298)
Non-cash items:		
(Gain) Loss on shares for debt	28,750	(575)
Consulting fee shares issued	25,000	-
Changes in non-cash working capital items:		
Decrease (increase) in other receivable	(1,950)	1,147
Increase in accounts payable	130,716	4,682
Increase in accrued liabilities	500	3,000
<b>Net cash flows from (used) in operating activities</b>	<b>6,072</b>	<b>(44)</b>
Increase (decrease) in cash	6,072	(44)
Cash, beginning of year	-	44
<b>Cash, end of year</b>	<b>\$ 6,072</b>	<b>\$ -</b>

During the years ended November 30, 2017 and 2016, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	Year ended November 30, 2017	Year ended November 30, 2016
Fair value of shares issued to settle debt (Note 5)	\$ 143,750	\$ 15,000

**1. Nature and continuance of operations**

Cervantes Capital Corp. (the “Company”) was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company intends to be a business development services company. It plans to provide business development services to new and emerging businesses, including making introductions to accountants, lawyers, brokers, transfer agents, and various other professionals and service providers to assist companies in raising capital and going public.

The Company has its administration office at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada, the head office, principal address, records office and registered address of the Company are located at 510 – 744 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1A1.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at November 30, 2017 the Company had a working capital deficiency of \$15,876 and accumulated losses of \$210,626. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

**2. Significant accounting policies**

***Basis of presentation***

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

These audited annual financial statements were approved and authorized for issue on March 13, 2018 by the directors of the Company.

***Significant estimates and assumptions***

The preparation of the Company’s financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.



## 2. Significant accounting policies (cont'd)

### ***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty

### ***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

### ***Financial instruments***

The Company classifies its financial instruments in the following categories: loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

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

Non-derivative financial liabilities (excluding financial guarantees) classified as other financial liabilities are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset. Other financial liabilities include accounts payable.

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

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

### ***Income taxes***

#### **Current income tax:**

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

## 2. Significant accounting policies (cont'd)

### Current income tax: (cont'd)

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

### Deferred income tax:

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

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

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

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

### ***New accounting standards issued but not yet effective***

IFRS 9, Financial Instruments: Classification and Measurement, issued in December 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning October 1, 2018. The Company determined that there is no impact of the adoption of this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

**2. Significant accounting policies (cont'd)**

***New accounting standards issued but not yet effective*** (continued)

The Company has not early adopted this new standard and does not expect it to have a material effect on the Company's future results and financial operations.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**3. Accounts payable and accrued liabilities**

	<b>November 30, 2017</b>	November 30, 2016
Accounts payable	\$ 20,398	\$ 4,682
Accrued liabilities	3,500	3,000
	<b>\$ 23,898</b>	<b>\$ 7,682</b>

Included in accounts payable are amounts totaling \$16,800 (November 30, 2016 - \$nil) due to related parties (Note 4).

**4. Related party transactions and balances**

During the year ended November 30, 2017, the Company incurred consulting fees of \$92,000 (2016 - \$nil) and director's fees of \$6,000 (2016 - \$nil) with directors and an officer of the Company.

As at November 30, 2017, there was \$16,800 (November 30, 2016: \$nil) included in accounts payable owing to a company controlled by an individual who is an officer and director of the Company. The balances are unsecured, due on demand and is non-interest bearing.

**5. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At November 30, 2017 there were 7,747,600 issued and fully paid common shares outstanding.

***Share issuances for the year ended November 30, 2017***

On October 25, 2017, the Company issued 1,000,000 common shares with a fair value of \$25,000 as a finder's fee and accounted for as a consulting fee for work done.

On May 26, 2017 the Company issued 5,750,000 common shares with a fair value of \$143,750 to settle loans payable of \$115,000. A resulting loss on debt settlement of \$28,750 was recognized. Of this issuance, 5,600,000 common shares were issued to related parties of the Company to settle loans payable of \$112,000. A resulting loss on debt settlement of \$28,000 related to the shares issued to related parties.

**5. Share capital (cont'd)**

***Share issuances for the year ended November 30, 2016***

On August 5, 2016 the Company issued 600,000 common shares with a fair value of \$15,000 to settle loans payable of \$15,575. A resulting gain on debt settlement of \$575 was recognized. Of this issuance, 368,860 common shares were issued to a related party of the Company to settle loans payable of \$9,575. A resulting gain on debt settlement of \$354 related to the shares issued to the related party.

**6. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2017, the Company did not have any financial instruments subject to interest rate risk.

**6. Financial risk and capital management (cont'd)**

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**7. Income Taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	<b>November 30, 2017</b>	<b>November 30, 2016</b>
Net loss before income taxes	\$ (176,944)	\$ (8,298)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(46,005)	(2,157)
Changes in valuation allowance	46,005	2,157
Income tax recovery	\$ -	\$ -

At November 30, 2017, the Company has non-capital losses of \$210,626 (November 30, 2016: \$33,682) which expire as follows: \$25,384 in 2035 and \$8,298 in 2036 and \$176,944 in 2037. No deferred tax asset has been recognized in relation to these losses.

**SCHEDULE “B”**

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY**

Financial years ended November 2019, 2018 and 2017

**Christina Lake Cannabis Corp.**  
**Management Discussion & Analysis**  
(Expressed in Canadian Dollars)

**For the year ended November 30, 2019 and 2018**

March 30, 2020

*This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended November 30, 2019, compared to the year ended November 30, 2018. This report prepared as at March 30, 2020 intends to complement and supplement our financial statements (the "Financial Statements") as at November 30, 2019, which have been prepared in accordance with International Financial Reporting Standards.*

*Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.*

*All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

*Where we say "we", "us", "our", the "Company" we mean Christina Lake Cannabis Corp., as it may apply.*

## **OVERVIEW**

Christina Lake Cannabis Corp. (formerly Cervantes Capital Corp, the "Company") was incorporated in British Columbia under the *Business Corporations Act* (British Columbia) on October 26, 2014 and is in the process of obtaining a Standard Cannabis Cultivation License from Health Canada. The Company is a reporting Company in British Columbia and Alberta effective as of December 3, 2014. The Company's registered and records office is Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada. In January 2020, the Company submitted its Statement of Readiness and Video Evidence Package to Health Canada is awaiting receipt of the Company's Standard Cannabis Cultivation License.

Management is responsible for the preparation and integrity of the condensed interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including condensed interim financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

The Company's primary business currently consists of obtaining a Standard Cannabis Cultivation License from Health Canada to augment the Company's existing Research and Development License (an "RDL") from Health Canada, and providing consulting services to outdoor cultivation and extraction companies. As a means to this end, the Company is also developing a significant land position for the development of genetic material, testing and third-party cultivation, with a longer-term view towards cultivating its own cannabis once the business matures.

## **BUSINESS DEVELOPMENT**

- Subsequent to year end, the Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company will issue 604,110 compensation shares and pay an aggregate of \$51,662 over a six-month period. The Company recorded an obligation to issue shares of \$104,932.
- Subsequent to year end, the Company extended the expiry date of 5,745,000 warrants with an expiry of April 26, 2020 to December 31, 2020 and 2,293,799 warrants with an expiry of October 17, 2020 to December 31, 2021.



**BUSINESS DEVELOPMENT (CONTINUED)**

- Subsequent to year end, the Company granted 1,540,000 stock options to employees, which are exercisable at \$0.09 for a period of 5 years. The options vest as 1/3 on the date of grant, 1/3 on the first anniversary, and 1/3 on the second anniversary.
- Subsequent to year end, the Company closed two tranches of a convertible debenture financing for gross proceeds of \$2,610,000. The convertible debentures mature 24 months after closing, bear interest at 12% per annum, and are convertible into common shares at a conversion price of \$0.20.
- On October 17, 2019, the Company issued 4,587,597 units at a price of \$0.20 per unit for gross proceeds of \$917,580. Each unit consists of one common share and one-half of one warrant; each whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 until October 17, 2020. The Company incurred cash finder's fees of \$20,160 and issued 100,800 finder's warrants each finder warrant entitles the holder to purchase one common share exercisable at \$0.40 until October 17, 2020.
- On September 26, 2019 the Company paid the balance of \$604,767 for the Ponderosa property. On February 26, 2019, the Company entered into an arm's length purchase agreement to acquire an adjacent 99-acre parcel of industrially-zoned agricultural land ("Ponderosa") for approximately \$600,000. The Company advanced a \$15,000 deposit and paid \$5,000 fees.
- On September 20, 2019, the Company issued 12,125,000 units in a non-brokered private placement at a price of \$0.20 per unit for gross proceeds of \$2,425,000. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.40 until September 20, 2020. The Company incurred cash finder's fees of \$72,924 and issued 442,200 finder's warrants each finder warrant entitles the holder to purchase one common share exercisable at \$0.40 until September 20, 2020.
- On June 26, 2019, the Company issued in a non-brokered private placement 2,125,000 units at a price of \$0.10 per unit for gross proceeds of \$212,500. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.20 until June 26, 2020. The Company also issued 148,750 warrants as finder's fees; each finder warrant entitles the holder to purchase one common share exercisable at \$0.20 until June 26, 2020.
- During the period ended May 31, 2019. the Company announced that Eugene Beukman has resigned as a director and officer of the Company. The following appointments have been made Arie Prins as CEO and director, Joel Dumaresq as CFO and director, Timothy O'Donnell as Corporate Secretary. The Company also appointed Vicente Benjamin Asuncion, Jason Taylor, Nicco Dehaan and Peter Nguyen as directors.
- On April 26, 2019, the Company issued 11,490,000 units at a price of \$0.10 per unit for gross proceeds of \$1,149,000. Each unit consists of one Common Share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional Common Share at a price of \$0.20 until April 26, 2020. The Company incurred cash finder's fees of \$31,800 and issued 318,000 finder's warrants. Each finders warrant is exercisable at \$0.20 until April 26, 2020.
- On February 26, 2019, the Company entered into an arm's length purchase agreement to acquire an adjacent 99-acre parcel of industrially-zoned agricultural land ("Ponderosa") for \$600,000. The Company advanced a \$15,000 deposit. The Company is currently seeking to obtain provincial, municipal and federal approval so that the Ponderosa property meets all requirements for licensing, and is compliant with all applicable municipal and provincial laws including obtaining the required development permits from the Regional District of Kootenay-Boundary.

**BUSINESS DEVELOPMENT (CONTINUED)**

- In November 2018, the Company issued 28,044,005 units at a price of \$0.09 per Unit ("Unit") for gross proceeds of \$2,523,960. Each Unit consists of one common share and one common share purchase warrant; each warrant is exercisable into one common share, expire one year from the date of issuance and have an exercise price of \$0.30. In consideration for their services, the underwriters received a cash commission of \$90,269 and the Company paid other finder's fees of \$22,680. A total of 1,248,019 finder's warrants were granted. Each finder warrant entitles the holder to acquire one additional common share at \$0.30 for a period of 12 months.
- On October 16, 2018, the Company acquired 32 acres of industrial zoned agricultural land in Christina Lake, British Columbia ("Property") for the sum of \$863,505. The Property's existing infrastructure includes a 6,000 square foot steel framed building, which is being retrofitted for offices, personnel rooms, as well as a cannabis nursery and a cultivation room. The Property meets all provincial, municipal and federal requirements for licensing, and is compliant with all applicable municipal and provincial laws having obtained the required development permits from the Regional District of Kootenay Boundary.
- Simultaneously with the acquisition of the Property and October 2018 financing, the Company entered into employment agreements with Jason Taylor, Nicco Dehaan, Steven Bowering and Timothy O'Donnell. Nicco Dehaan, Steven Bowering and Timothy O'Donnell are highly experienced master growers and cannabis processors and with the regulatory experience provided by Jason Taylor, they are tasked with facilitating the Company's RDL application and consulting business.
- On October 2018, the Company entered into a service agreement with the leading global compliance firm in the regulated cannabis sector, Cannabis Compliance Inc. ("CCI"). Under the terms of the Agreement, CCI will guide, advise, and prepare the Company in the development and preparation of the Facility for federal licensing. Additionally, among other services, CCI has been engaged to assist in the site plan and floor plan for the Company's Facility; physical security design, development of a Security Plan; develop Standard Operating Procedures (SOPs) for the operations of the Facility, ensure Good Production Practices (GPP Compliance) and assist the Company in the education and recruitment of key personnel if required. On February 15, 2019, the Company submitted its application to become a licensed cultivator.

**SELECTED ANNUAL INFORMATION**

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. Financial Statements for all years presented are prepared in accordance with IFRS.

	Fiscal Years Ended November 30		
	2019	2018	2017
	\$	\$	\$
<b>Financial Position</b>			
Total assets	6,202,790	2,333,922	8,022
Total liabilities	421,467	73,325	23,898
Net loss	(2,162,312)	(584,538)	(176,944)
Loss per share	(0.04)	(0.05)	(0.04)

**RESULTS OF OPERATIONS**

For the year ended period ended November 30, 2019 compared to the year ended November 30, 2018.

The Company recorded net loss of \$2,162,312 for the year ended November 30, 2019 compared to a net loss of \$584,538 for the corresponding period in 2018. In the comparative period, the Company was relatively inactive until the Company completed a financing in the latter half of fiscal 2018 and purchased the Christina Lake facility.

Some of the significant charges to operations are as follows:

- Consulting fees of \$365,682 (2018 - \$261,999) increased as the Company has engaged consultants to assist in the execution of the Company's business plan. In general, business operations increased substantially year over year and as such, the Company experienced an overall growth in consulting fees.
- Salaries of \$317,023 (2018 - \$40,431) as the Company hired employees in November of 2018. During the current year, the Company hired several part-time and full-time employees to supplement operations and assist with the build-out of the Company's facility at Christina Lake. A portion of salaries was capitalized to building and improvement.
- Regulatory fees of \$24,845 (2018 - \$9,510) increased as the Company is in the process of completing a listing statement with the Canadian Securities Exchange.
- Professional fees of \$183,161 (2018- \$5,073) increased as the Company engaged an arm's length cannabis compliance company to assist with obtaining a RDL license with Health Canada and to ensure the Company remains compliant with Health Canada's regulations.
- Office and miscellaneous of \$159,759 (2018- \$5,525) increased as the Company's operations grow, and incurred various expenditures related to the day to day operations.
- Share based compensation of \$1,103,842 (2018 - \$250,000) increased as the Company issued stock options and common shares to management, consultants and directors.

During the three-month period ended, the Company recorded a net loss of \$506,922 compared to a net loss of \$555,897 for the corresponding period in 2018. The variances and discussion of the Company's Q4 net loss are consistent with the discussion above.

**SUMMARY OF QUARTERLY RESULTS**

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Nov 30, 2019 \$	Aug 31, 2019 \$	May 31, 2019 \$	Feb 28, 2019 \$
<b>Deficit and Cash Flow</b>				
Net loss	(506,922)	(1,190,718)	(102,302)	(362,370)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)
<b>Balance Sheet</b>				
Total Assets	6,202,790	4,120,379	3,180,382	1,957,467
	Nov 30, 2018 \$	Aug 31, 2018 \$	May 31, 2018 \$	Feb 28, 2018 \$
<b>Deficit and Cash Flow</b>				
Net loss	(555,897)	(15,163)	(5,728)	(7,750)
Basic and diluted loss per share	(0.05)	(0.00)	(0.00)	(0.00)
<b>Balance Sheet</b>				
Total Assets	2,333,922	2,281	2,660	5,879

## **SUMMARY OF QUARTERLY RESULTS (CONTINUED)**

There are no general trends regarding the Company's quarterly results and the Company's business is not seasonal, as it can develop and progress on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has engaged in new activities or abandoned any projects and these factors which may account for material variations in the Company's quarterly net income (losses) are not predictable.

## **LIQUIDITY AND CAPITAL RESOURCES**

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise programs depending on its working capital position.

As at November 30, 2019 the Company had a working capital of \$600,989 (November 30, 2018 - \$1,397,092) which primarily consisted of cash of \$740,973 (2018 - \$1,311,382) and receivables of \$180,348 (2018 - \$4,369). Current liabilities, being accounts payable and accrued liabilities of \$421,467 (2018 - \$73,325).

Cash used in operating activities were \$1,062,194 compared to cash used of \$287,530 in 2018. The Company completed a private placement in 2018, changed management and acquired a new property, resulting in an overall increase in cash used in operating activities. In the current period, the Company hired numerous employees, consultants and management fees in order to ensure smooth operations of the Company's developing business.

Cash used in investing activities was \$4,001,052 compared to cash outflows of \$863,505 in 2018. The Company acquired land and improved the building in Christina Lake for the Company's future cannabis project. In the current period, the Company bought an adjacent plot of land to the Company's current facility for potential expansion. Furthermore, the Company is in the final stages of facility development for the Company's growing facility.

Cash provided by financing activities were \$4,492,837 subscriptions received compared to \$2,456,345 in 2018. All funds were raised via private placements mentioned above.

Other than the above-mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Other than the land and buildings mentioned, the Company has no assets and has no pledges as security for loans, or otherwise and is not subject to any debt covenants.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

**TRANSACTIONS WITH RELATED PARTIES**

The Executive Officers and Directors of the Company are as follows:

Arie Prins	Former CEO and Director
Joel Dumaresq	CFO and Director
Eugene Beukman	Former CEO
Timothy O'Donnell	Corporate Secretary
Vicente Benjamin Asuncion	Director
Jason Taylor	Director
Nicco Dehaan	Director
Peter Nguyen	Director

The Company incurred the following related party transactions, with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the exchange amount as follows:

	November 30, 2019	November 30, 2018
Consulting fees paid to a private company controlled by the former CEO	72,205	12,000
Consulting fees paid to directors of the Company	30,000	-
Consulting fees paid to a private company jointly controlled by the CFO	42,000	12,000
Rent paid to a private company jointly controlled by the CFO	8,000	
Salaries paid to related parties	270,000	-
Shares issued in lieu of cash for consulting fees	479,932	-
Share based compensation	201,419	
	<b>1,179,576</b>	<b>24,000</b>

As at November 30, 2019, there was \$31,050 (November 30, 2018 - \$16,760) included in accounts payable for directors of the Company. The balance is unsecured, due on demand and are non-interest bearing.

As at November 30, 2019, \$Nil (November 30, 2018 - \$33,333) of the subscription receivable was owing from one of the Company's officers and his family members.

During the year ended November 30, 2019, the Company issued 735,000 units to the CFO in lieu of cash for consulting fees in the amount of \$126,020.

During the year ended November 30, 2019, the Company issued 3,750,000 common shares with a fair value of \$375,000 to directors of the Company for consulting services

The Company was obligated to issue 604,110 shares to the former CEO of the Company as part of his employment agreement, which is recorded as obligation to issue shares of \$104,932 at November 30, 2019. These shares were issued subsequent to November 30, 2019.

**PROPOSED TRANSACTIONS**

There is no proposed transaction as of the date of this MD&A.

## **FINANCIAL INSTRUMENTS AND RISKS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and subscription receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low. Subscription receivable was owed by subscribers to the Company's private placements. Credit risk related to subscription receivable was assessed as low.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of November 30, 2019, the Company has sufficient cash of \$740,973 (2018 - \$1,311,382) to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

### Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2019, the Company did not have any financial instruments subject to interest rate risk.

### Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **Management of capital**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **SUBSEQUENT EVENTS**

Subsequent to year end, the Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company will issue 604,110 compensation shares and pay an aggregate of \$51,662 over a six-month period. The Company recorded an obligation to issue shares of \$104,932.

Subsequent to year end, the Company extended the expiry date of 5,745,000 warrants with an expiry of April 26, 2020 to December 31, 2020 and 2,293,799 warrants with an expiry of October 17, 2020 to December 31, 2021.

Subsequent to year end, the Company granted 1,540,000 stock options to employees, which are exercisable at \$0.09 for a period of 5 years. The options vest as 1/3 on the date of grant, 1/3 on the first anniversary, and 1/3 on the second anniversary.

Subsequent to year end, the Company closed two tranches of a convertible debenture financing for gross proceeds of \$2,610,000. The convertible debentures mature 24 months after closing, bear interest at 12% per annum, and are convertible into common shares at a conversion price of \$0.20.

## **ADDITIONAL SHARE INFORMATION**

As at the date of this MD&A, the Company had 76,723,312 common shares issued and outstanding. The Company has 17,633,549 warrants outstanding and 6,620,000 stock options outstanding.

## **CONTINGENCIES**

The Company is not aware of any contingencies or pending legal proceedings as of November 30, 2019 and as of the date of this report.

## **CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION**

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

## **ADDITIONAL DISCLOSURE FOR VENTURE COMPANYS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's statement of loss and comprehensive loss and note disclosures contained in its financial statements for the period ended November 30, 2019. These statements are available on SEDAR - Site accessed through [www.sedar.com](http://www.sedar.com).

## **DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

## **RISK FACTORS**

The following are certain risk factors relating to the business carried on by the Company that prospective holders of Shares should carefully consider.

### ***Risk Factors Related to the Common Shares***

#### **There is currently no public trading market for the Common Shares**

Currently there is no public market for the Common Shares of the Company, and there can be no assurance that an active market for the Common Shares will develop or be sustained.

#### **Warrants are Speculative in Nature and may not have any Value**

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Moreover, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise their Warrants.

#### **Volatility of Stock Price and Market Conditions**

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

#### ***Risk Factors Associated with the Company's Business***

The following are certain risk factors relating to the business carried on by the Company that prospective holders of Shares should carefully consider.

#### **Negative Cash Flow from Operations**

During the period ended November 30, 2019, the Company sustained net losses from operations and had negative cash flow from operating activities. The Company's cash and cash equivalents as at November 30, 2019 was approximately \$740,000. Although the Company anticipates it will have positive cash flow from operating activities in future periods, it is possible the Company may have negative cash flow in any future period as the Company continues to progress its expansion plans and its capacity of operations.

#### **Environmental Regulations and Risks**

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

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed.



## **RISK FACTORS (CONTINUED)**

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

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

### **Early Stage of Development**

The Company, while incorporated in 2014, began carrying on business in 2018 and has yet to generate revenue from the sale of products to date. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

### **Reliance on Licences**

The Company will be dependent on the Licences, or the ability to obtain a licence which is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain those licences could have a material adverse impact on the business, financial condition and operating results of the Corporation. There can be no guarantee that a licence will be issued, extended or renewed or, if issued, extended or renewed, that it will be issued, extended or renewed on terms that are favourable to the Company.

In Canada, few applicants for a licence from Health Canada ultimately receive a licence to produce and sell cannabis. Major expenditures may be required in pursuit of a licence and it is impossible to ensure that the expenditures will result in receipt of a licence and a profitable operation. There can be no assurances that the Company will obtain and maintain a licence to produce and sell cannabis and be brought into a state of commercial production. Should a licence not be issued, extended or renewed or should it be issued or renewed on terms that are less favourable to the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

### **Lack of Growing Facility and Construction Risk Factors**

The Company's activities and resources have been primarily focused on the Facility in Christina Lake, British Columbia. The Company has yet to complete the construction of this Facility. Adverse changes or developments affecting the construction of this Facility could have a material and adverse effect on the Company's ability to produce cannabis, its business, financial condition and prospects.

### **Cultivation Risks**

The Company's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

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

On December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 7, 2018, Bill C45 passed the third reading in the Senate with a number of amendments to the language of the Cannabis Act. On June 20, 2018, Prime Minister Trudeau announced that cannabis would be legal by October 17, 2018. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. On July 11, 2018, the regulations made pursuant 27 to the Cannabis Act were published. The regulations under the Cannabis Act contemplate the various licences including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth. The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time.

In addition, when the Cannabis Act comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis.

### **Legislative or Regulatory Reform and Compliance**

The commercial cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licensed Producers in action. The Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

### **Negative Customer Perception**

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical or recreational purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have an adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and results of operations.

## **RISK FACTORS (CONTINUED)**

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

### **Constraints on Marketing Products**

In view of the restrictions on marketing, advertising and promotional activities set forth in the Cannabis Act and related regulations, the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

### **Reliance on Receiving a Research and Development License and subsequent Cultivation and Processors License**

The Company's ability to set up its Facility for the purposes of research and development and to grow, store and sell cannabis in Canada is dependent on Health Canada's approval of the Company's RDL and subsequent cultivation and processor licenses (the "Licenses"). The Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. The Company is in the process of applying for the cultivation and processor license for cannabis in Canada. Although the Company believe they will meet the requirements for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew these Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should they renew the Licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected

### **New product Development**

The Company's ability to sell cannabis in Canada is dependent on the Company's ability to develop product that exceeds the standards set by Health Canada. Although the Company believes management has the expertise to develop such products, there is no assurance that the Company will successfully develop new products.

### **Competition**

There is 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 experience than the Company. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While most laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk. Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support.

## **RISK FACTORS (CONTINUED)**

### **Additional Financing**

The Company may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### **Market Development**

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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.

### **Reliance on Management**

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

### **Operation Permits and Authorizations**

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate the businesses. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Licensee's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

### **Liability, Enforcement Complaints, etc.**

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against it. Litigation, complaints, and enforcement actions involving the business could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

### **Product Liability**

Certain of the Company's proposed manufacture, process and/or distribute of cannabis products are designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

## **RISK FACTORS (CONTINUED)**

### **Reliance on Key Inputs**

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

### **Resale of Shares**

There can be no assurance that the Company will successfully obtain a listing on the CSE. If the Company is successful in obtaining a listing for its shares, there can be no guarantee that an active and liquid market for the Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

### **Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might not develop or be sustained after the completion of the listing. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

### **Management of Growth**

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

### **Dividends**

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

## **RISK FACTORS (CONTINUED)**

### **Intellectual Property**

The success of the Company will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

### **Insurance Coverage**

The Company will require insurance coverage for a number of risks. Although Management believes that the events and amounts of liability covered by such insurance policies should be reasonable, taking into account the risks relevant to the Company's business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects, could be adversely affected.

### **Costs of Maintaining a Public Listing**

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### **Litigation**

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

### **Operational Risks**

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's Property and Facility, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Difficulty Implementing Business Strategy**

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

## **RISK FACTORS (CONTINUED)**

### **Conflicts of Interest**

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests.

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

### **Available Talent Pool**

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of cannabis research and development, cultivation of cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

### **Ability to Maintain Bank Accounts**

While the Company does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for the Company. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company may be required to seek alternative payment solutions. If the industry was to move towards alternative payment solutions the Company would have to adopt policies and protocols to manage these changes. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

### **Cautionary Statement**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible” or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- treatment under government regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- the listing of the Company Shares on the CSE;
- the Company's business strategies, intentions to develop its business and operations, objectives and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facility and its costs;
- expectations of successful receipt of the Licenses from Health Canada to produce and sell medical cannabis at such facility;
- the suitability of the Facility;
- expectations regarding production costs, capacity and yields of the Company's business and growth thereof;
- the Company's estimates of the size of the potential markets for its products and the rate and degree of market acceptance of such products and its competitive positions in relation thereto;
- projections of market prices and costs and the future market for the Company's products and conditions affecting same;
- estimates of the Company's future revenues and profits;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company after the date of this Listing Statement and thereafter; and
- liquidity of the Common Shares following listing of the Shares.



## **RISK FACTORS (CONTINUED)**

### **Cautionary Statement (continued)**

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- timeframes and costs to achieve Licensing under the Cannabis Act and Regulations;
- treatment under government regulatory and taxation regimes and potential changes thereto;
- limited operating history and negative operating cash flow;
- reliance by the Company on a single production facility and factors relating to the development of the Facility;
- expansion plans for the Facility being subject to Health Canada regulatory approvals;
- dependence on management and conflicts of interest;
- restrictions on marketing activities in the medical cannabis industry;
- competition for, among other things, customers, land and greenhouses, supply, capital, capital acquisitions of products and skilled personnel;
- consumer acquisition and retention;
- risks and liabilities inherent in medical cannabis and agricultural operations;
- unfavourable publicity or consumer perception;
- product liability and recall risks as well as general operating risks;
- environmental risks;
- availability of financing opportunities;
- risks relating to global financial and economic conditions;
- future liquidity and financial capacity; and
- other factors discussed under “*Risk Factors*”.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at November 30, 2018 and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward looking statements. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

**Christina Lake Cannabis Corp.**  
**(formerly Cervantes Capital Corp.)**  
**Management Discussion & Analysis**  
(Unaudited – Expressed in Canadian Dollars)

**For the years ended November 30, 2018 and 2017**

**Christina Lake Cannabis Corp.  
(formerly Cervantes Capital Corp.)  
Management's Discussion and Analysis  
For the years ended November 30, 2018**

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Dated: January 17, 2019

*This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended November 30, 2018, compared to the year ended November 30, 2017. This report prepared as at January 17, 2019 intends to complement and supplement our financial statements (the "Financial Statements") as at November 30, 2018 and should be read in conjunction with the financial statements and the accompanying notes.*

*Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.*

*All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

*Where we say "we", "us", "our", the "Company" we mean Christina Lake Cannabis Corp., as it may apply.*

## **OVERVIEW**

Christina Lake Cannabis Corp. (formerly Cervantes Capital Corp, the "Company") was incorporated in British Columbia under the *Business Corporations Act* (British Columbia) on October 26, 2014 and is engaged in business development services. The Company is a reporting Company in British Columbia and Alberta effective as of December 3, 2014. The Company's registered and records office is Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada.

Management is responsible for the preparation and integrity of the audited financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including audited annual financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

The Company has transitioned from a business development service company and intends to apply for a Standard Cultivation License from Health Canada to produce large volumes of high quality cannabis flower and distillates in the lowest possible cost structure, utilizing outdoor cultivation techniques. The Company is also in the process of applying for a Standard Processors Licence ("Processor Licence"). With the Processors Licence, the Company intends to distil 100% of the outdoor production to realize the premium pricing points available to value added processors and streamline distribution methods.

## **BUSINESS DEVELOPMENT**

- On October 16, 2018, the Company, with the intention of focusing its efforts and resources to become a large, low cost cultivator and processor of cannabis, acquired 32 acres of industrial zoned agricultural land in Christina Lake, British Columbia ("Property") for the sum of \$863,505 CDN.

Christina Lake is situated in a prime cultivation climate and it is in close proximity to the largest concentration of craft cannabis cultivators in the country. The Property's existing infrastructure includes a 60' x 50' steel framed building suitable for office, shipping/receiving and houses a maintenance shop. The Property also includes a large 127,000 square foot asphalt slab for the erection of green houses for future expansion into indoor cultivation. The Property meets all federal, provincial and municipal requirements for a cannabis facility.

- In October and November 2018, the Company issued 28,044,005 units at a price of \$0.09 per Unit ("Unit") for gross proceeds of \$2,523,960. Each Unit consists of one common share and one common share purchase warrant; each warrant is exercisable into one common share, expire one year from the date of issuance and have an exercise price of \$0.30. In consideration for their services, the underwriters received a cash commission of \$90,269 and the Company paid other finder's fees of \$22,680. A total of 1,248,019 finder's warrants were granted with a fair value of \$10,863; each finder warrant entitling the holder to acquire one additional common share at \$0.30 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.09; exercise price - \$0.30; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.22%.
- On October 22, 2018, the Company issued 5,000,000 Units at a price of \$0.04 per common share for gross proceeds of \$200,000. Each Unit consists of one common share and one half common share purchase warrant; each whole warrant is exercisable into one common share, expire 4 years from the date of issuance and have an exercise price of \$0.09.
- The Company is in the process of submitting a listing statement to the Canadian Securities Exchange ("CSE") and apply for the Standard Cultivation License and Processor License.
- Simultaneously with the acquisition of the Property, the Company entered into employment agreements with Jason Taylor, Nicco Dehaan, Steven Bowering and Timothy O'Donnell, experienced master growers and cannabis processors to oversee the development, and operations of the Facility.

**Christina Lake Cannabis Corp.**  
**(formerly Cervantes Capital Corp.)**  
**Management’s Discussion and Analysis**  
**For the years ended November 30, 2018**

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- On October 2018, the Company entered into a service agreement with the leading global compliance firm in the regulated cannabis sector, Cannabis Compliance Inc. (“CCI”). Under the terms of the Agreement, CCI will guide, advise, and prepare the Issuer in the development and preparation of the Facility for federal licensing. CCI will prepare and submit the applications for the Issuer to obtain a Standard Cultivation Licence and Standard Processor Licence along with a Medical Sales Licence. Additionally, among other services, CCI has been engaged to assist in the site plan and floor plan for the Issuer’s Facility; physical security design, development of a Security Plan; develop Standard Operating Procedures (SOPs) for the operations of the Facility, ensure Good Production Practices (GPP Compliance) and assist the Issuer in the education and recruitment of key personnel if required.
- Subsequent to the year end, the Company announced that Eugene Beukman has resigned as a director and officer of the Company. The following appointments have been made Arie Prins as CEO and director, Joel Dumaresq as CFO and director, Timothy O’Donnell as Corporate Secretary. The Company also appointed Vincente Benjamin Asuncion, Jason Taylor, Nicco Dehaan and Peter Nguyen as directors.

**USE OF PROCEEDS**

During the year ended November 30, 2018, the Company completed the Placements for net proceeds of approximately \$2,611,011. The Company intends to use the net proceeds to fund financing agreements, general working capital and to investigate other opportunities. The table below provides a breakdown of the intended use, the amounts used to date and any variances.

Intended use of proceeds	Allocation \$	Incurred as at November 30, 2018 \$	Variances
Fund construction and licensing costs (80%)	2,088,808	863,505	No variances anticipated
General working capital (20%)	522,202	287,530	No variances anticipated
Total	2,611,011	1,151,035	No variances anticipated

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives

**Christina Lake Cannabis Corp.**  
**(formerly Cervantes Capital Corp.)**  
**Management's Discussion and Analysis**  
**For the years ended November 30, 2018**

**SELECTED ANNUAL INFORMATION FOR THE PAST THREE YEARS**

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. Financial Statements for all years presented are prepared in accordance with IFRS.

	Fiscal Years Ended November 30		
	2018	2017	2016
	\$	\$	\$
<b>Financial Position</b>			
Total assets	2,333,922	8,022	-
Total liabilities	73,325	23,898	7,682

	Year ended November 30, 2018	Year ended November 30, 2017
<b>Expenses</b>		
Consulting fees	\$ 261,999	\$ 120,000
Director fees	-	6,000
Office and miscellaneous	5,525	4,581
Professional fees	5,073	7,086
Rent	12,000	1,000
Salaries	40,431	-
Share based compensation	250,000	-
Transfer agent	9,510	9,527
<b>Total Expenses</b>	(584,538)	(148,194)
<b>Other Item</b>		
Loss on shares for debt	-	(28,750)

**RESULTS OF OPERATIONS**

**For the year ended November 30, 2018 compared to the year ended November 30, 2017**

The Company recorded net loss of \$584,538 for the year ended November 30, 2018 compared to a net loss of \$176,944 for the corresponding period in 2017. Some of the significant charges to operations are as follows:

- Consulting fees of \$261,999 (2017 - \$120,000) indicating an increase relative to the comparative period. The Company paid signing bonuses to each of their employees, resulting in an overall increase in consulting fees. The Company relies on consultants and their field of expertise to execute the Company's business plan.
- Director fees of \$Nil (2017 - \$6,000) were paid for director's services, indicating a decrease of \$6,000 for the period, as director's fees were not accrued.
- Rent of \$12,000 (2017 - \$1,000) were incurred during the period. In the previous period, the Company was charged for one month of rent.
- Salaries of \$40,431 (2017 - \$Nil) as the Company hired for employees as mentioned in "Business Development" section, resulting in an overall increase in salaries.
- Share based compensation of \$250,000 (2017 - \$Nil) as the Company estimated the fair value of shares differed from the deemed value.

**Christina Lake Cannabis Corp.**  
**(formerly Cervantes Capital Corp.)**  
**Management's Discussion and Analysis**  
**For the years ended November 30, 2018**

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For the three month period ended November 30, 2018, the Company recorded a net loss of \$555,897 compared to a net loss of \$55,314. The explanations and discussions of the variances are similar to the discussion above.

**SUMMARY OF QUARTERLY RESULTS**

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Nov 30, 2018	Aug 31, 2018	May 31, 2018	Feb 28, 2018	Nov 30, 2017	Aug 31, 2017	May 31, 2017	Feb 28, 2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Deficit and Cash Flow</b>								
Net loss	(555,897)	(15,163)	(5,728)	(7,750)	(55,313)	(24,612)	(88,283)	(8,736)
Basic and diluted loss per share	(0.05)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.07)	(0.00)
<b>Balance Sheet</b>								
Total Assets	2,333,922	2,281	2,660	5,879	8,022	10,131	17,943	1,673

There are no general trends regarding the Company's quarterly results and the Company's business is not seasonal, as it can develop and progress on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has engaged in new activities or abandoned any projects and these factors which may account for material variations in the Company's quarterly net income (losses) are not predictable.

**EQUITY**

In October and November 2018, the Company issued 28,044,005 units at a price of \$0.09 per Unit ("Unit") for gross proceeds of \$2,523,960. Each Unit consists of one common share and one common share purchase warrant; each warrant is exercisable into one common share, expire one year from the date of issuance and have an exercise price of \$0.30. In consideration for their services, the underwriters received a cash commission of \$90,269 and the Company paid other finder's fees of \$22,680. A total of 1,248,019 finder's warrants were granted with a fair value of \$10,863; each finder warrant entitling the holder to acquire one additional common share at \$0.30 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.09; exercise price - \$0.30; expected life - 1 year; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.22%.

On October 22, 2018, the Company issued 5,000,000 Units at a price of \$0.04 per common share for gross proceeds of \$200,000. Each Unit consists of one common share and one half common share purchase warrant; each whole warrant is exercisable into one common share, expire 4 years from the date of issuance and have an exercise price of \$0.09. The Company determined that the fair value of the Units was \$0.09 and recorded a share based payment of \$250,000.

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**LIQUIDITY AND CAPITAL RESOURCES**

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise programs depending on its working capital position.

As at November 30, 2018 the Company had a working capital of \$1,397,092 (November 30, 2017 – deficiency of \$15,876) which primarily consisted of cash of \$1,466,048 (2017 - \$6,072) and receivables of \$4,369 (2017 - \$1,950). Current liabilities, being accounts payable and accrued liabilities of \$73,325 (2017 – \$23,898).

Cash used in operating activities were \$287,530 compared to cash inflows of \$6,072 in 2017. The Company completed a private placement, changed management and acquired a new property, resulting in an overall increase in cash used in operating activities.

Cash provided by financing activities were \$2,456,345 compared to \$Nil in 2017. During the period ended November 31, 2018, the Company completed a private placement financing resulting in a net increase in cash for \$2,456,345.

Cash used in investing activities was \$863,505 compared to cash outflows of \$Nil in 2017. The Company acquired land and building in Christina Lake for the Company's future cannabis project.

Other than the above mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has no assets and has no pledges as security for loans, or otherwise and is not subject to any debt covenants.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.



## **TRANSACTIONS WITH RELATED PARTIES**

The Executive Officers and Directors of the Company are as follows:

Arie Prins	CEO and Director
Joel Dumaresq	CFO and Director
Timothy O'Donnell	Corporate Secretary
Vincente Benjamin Asuncion	Director
Jason Taylor	Director
Nicco Dehaan	Director
Peter Nguyen	Director

The Company incurred the following related party transactions, with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the exchange amount as follows:

During the year ended November 30, 2018 the Company incurred fees of \$24,000 (2017 - \$92,000) paid to companies controlled by the former CEO and CFO.

As at November 30, 2018, there was \$16,760 (November 30, 2017 - \$16,800) included in accounts payable owing to a company controlled by an individual who is an officer and director of the Company. The balances are unsecured, due on demand and is non-interest bearing.

## **PROPOSED TRANSACTIONS**

There are no specific proposed transactions as at the date of this MD&A.

## **FINANCIAL INSTRUMENTS AND RISKS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and subscription receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low. Subscription receivable was owed by subscribers to the Company's private placements. Credit risk related to subscription receivable was assessed as low.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of November 30, 2018, the Company has sufficient working capital of \$1,397,092 to cover short term obligations.

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Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as low.

**Foreign exchange risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2018, the Company did not have any financial instruments subject to interest rate risk.

**Management of capital**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**ADDITIONAL SHARE INFORMATION**

As at the date of this MD&A the Company had 40,791,605 common shares issued and outstanding. The Company has 31,792,024 warrants outstanding and no stock options outstanding.

**CONTINGENCIES**

The Company is not aware of any contingencies or pending legal proceedings as of November 30, 2018 and as of the date of this report.

**CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION**

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

**ADDITIONAL DISCLOSURE FOR VENTURE COMPANYS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's statement of loss and comprehensive loss and note disclosures contained in its financial statements for the period ended November 30, 2018. These statements are available on SEDAR - Site accessed through [www.sedar.com](http://www.sedar.com).

**DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

## **RISK FACTORS**

The following are certain risk factors relating to the business carried on by the Company that prospective holders of Shares should carefully consider.

### *Financial Statements Prepared on a Going Concern Basis*

The financial statements for the period ended November 30, 2018 have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several material uncertainties may cast a significant doubt on the validity of this assumption. The Company has incurred losses since inception and has no current source of revenue. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given the volatile and uncertain financial markets. The financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. At November 30, 2018, the Company had a deficit of \$795,164 (November 30, 2017 - \$210,626) and a working capital of \$1,397,092 (November 30, 2017 - working capital deficit of \$15,876).

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to continue as a going-concern, the net realizable values of its assets may be materially less than the amounts recorded on the condensed interim statement of financial position.

### *Limited Operating History*

The Company has a limited operating history, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment into the Company.

### *Timeframes and Cost to Obtain a License to Cultivate and Sell Under the ACMPR*

The timeframes and costs required for the Company or any applicant for a license under the ACMPR to build the infrastructure required, to apply for, and to receive, a license can be significant. The current backlog of applications from other licensees with Health Canada and the anticipated timeframe for processing and approval of any application for a license to cultivate or sell medical marijuana cannot be reliably determined at this time. If the Company is unable to secure the appropriate Licenses through Health Canada this would have a material adverse impact on the business, financial condition and operating results of the Company.

### *Competition*

There is 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 experience than the Company. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While most laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk.

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Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

*Additional Financing*

The Company may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

*Market Development*

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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.

*Reliance on Management*

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

*Operation Permits and Authorizations*

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate the businesses. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Licensee's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

*Liability, Enforcement Complaints, etc.*

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against it. Litigation, complaints, and enforcement actions involving the business could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

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*Product Liability*

Certain of the Company's proposed manufacture, process and/or distribute of cannabis products are designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

*Reliance on Key Inputs*

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

*Resale of Shares*

There can be no assurance that the Company will successfully obtain a listing on the CSE. If the Company is successful in obtaining a listing for its shares, there can be no guarantee that an active and liquid market for the Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

*Price Volatility of Publicly Traded Securities*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might not develop or be sustained after the completion of the listing. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

*Management of Growth*

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's

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current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

*Dividends*

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

*Intellectual Property*

The success of the Company will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

*Insurance Coverage*

The Company will require insurance coverage for a number of risks. Although Management believes that the events and amounts of liability covered by such insurance policies should be reasonable, taking into account the risks relevant to the Company's business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects, could be adversely affected.

*Costs of Maintaining a Public Listing*

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

*Litigation*

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

*Operational Risks*

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's Property and Facility, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial

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condition on the Company. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

*Difficulty Implementing Business Strategy*

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

*Conflicts of Interest*

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

*Available Talent Pool*

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of cannabis research and development, cultivation of cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

**Cautionary Statement**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- treatment under government regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- the listing of the Company Shares on the CSE;
- the Company's business strategies, intentions to develop its business and operations, objectives

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- and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facility and its costs;
- expectations of successful receipt of the Licenses from Health Canada to produce and sell medical cannabis at such facility;
- the suitability of the Facility;
- expectations regarding production costs, capacity and yields of the Company's business and growth thereof;
- the Company's estimates of the size of the potential markets for its products and the rate and degree of market acceptance of such products and its competitive positions in relation thereto;
- projections of market prices and costs and the future market for the Company's products and conditions affecting same;
- estimates of the Company's future revenues and profits;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company after the date of this Listing Statement and thereafter; and
- liquidity of the Common Shares following listing of the Shares.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- timeframes and costs to achieve Licensing under the Cannabis Act and Regulations;
- treatment under government regulatory and taxation regimes and potential changes thereto;
- limited operating history and negative operating cash flow;
- reliance by the Company on a single production facility and factors relating to the development of the Facility;
- expansion plans for the Facility being subject to Health Canada regulatory approvals;
- dependence on management and conflicts of interest;
- restrictions on marketing activities in the medical cannabis industry;
- competition for, among other things, customers, land and greenhouses, supply, capital, capital acquisitions of products and skilled personnel;
- consumer acquisition and retention;
- risks and liabilities inherent in medical cannabis and agricultural operations;
- unfavourable publicity or consumer perception;
- product liability and recall risks as well as general operating risks;
- environmental risks;
- availability of financing opportunities;
- risks relating to global financial and economic conditions;
- future liquidity and financial capacity; and
- other factors discussed under "*Risk Factors*".

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at November 30, 2018 and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward looking statements. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no



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assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

# CERVANTES CAPITAL CORP.

## Management's Discussion and Analysis

Year ended November 30, 2017

March 13, 2018

*This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended November 30, 2017, compared to the year ended November 30, 2016. This report prepared as at March 13, 2018 intends to complement and supplement our financial statements (the "Financial Statements") as at November 30, 2017 and should be read in conjunction with the financial statements and the accompanying notes.*

*Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.*

*Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

*Where we say "we", "us", "our", the "Company" or "Cervantes", we mean Cervantes Capital Corp., as it may apply.*

### OVERVIEW

Cervantes Capital Corp. (the "Company" or "Cervantes") was incorporated in British Columbia under the *Business Corporations Act* (British Columbia) on October 26, 2014 and is engaged in business development services. The Company is a reporting issuer in British Columbia and Alberta effective as of December 3, 2014.

Management is responsible for the preparation and integrity of the audited financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including audited annual financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

The Company is a business development services company. It provides business development services to new and emerging businesses, including making introductions to accountants, lawyers, brokers, transfer agents, and various other professionals and service providers to assist companies in raising capital and going public. The Company is a reporting issuer in the provinces of British Columbia and Alberta.

## **CORPORATE DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS AND FACTORS AFFECTING RESULTS OF OPERATIONS**

### **Plan of Arrangement with Riske Capital Corp.**

On October 29, 2014, the Company entered into an Arrangement Agreement with Riske Capital Corp. ("Riske"). Riske is a reporting issuer in the provinces of Alberta and British Columbia.

On December 3, 2014, the shareholders of the Company, and Riske, executed the Arrangement which included the following:

- a) Riske transferred \$1,000 of cash and a Letter of Intent ("LOI") to the Company (LOI subsequently cancelled March 1, 2015) in exchange for 396,600 common shares of the Company.
- b) Riske distributed the 396,600 common shares of the Company to its shareholders.
- c) The Company became a reporting issuer in British Columbia and Alberta on December 3, 2014.

### **Plan of Arrangement with BHR Capital Corp. and Anterior Education Holdings Ltd.**

On April 14, 2015, the Company, Anterior Education Holdings Ltd. (a newly formed subsidiary of the Company) ("Anterior") and BHR Capital Corp. ("BHR") entered into an Arrangement Agreement.

On April 30, 2015, the shareholders of the Company, Anterior and BHR executed an arrangement agreement which included the following:

- a) BHR purchased all 10,000 of Anterior's issued shares from the Company for \$10,000.
- b) The Company issued 1,000 of its common shares in exchange for 396,600 common shares of Anterior.
- c) The Company distributed 396,600 shares of Anterior to its shareholders resulting in Anterior becoming a stand alone reporting issuer in British Columbia and Alberta.

As the substance of this Arrangement Agreement is a spin out of Anterior to the shareholders of the Company, no gain was recorded on the sale of Anterior to BHR. The distribution of the Anterior shares to the shareholders of the Company was recorded at \$0, the carrying and fair value of the Company's investment in Anterior.

## SELECTED ANNUAL INFORMATION FOR THE PAST THREE YEARS

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. Financial Statements for all years presented are prepared in accordance with IFRS.

	Fiscal Years Ended November 30		
	2017	2016	2015
	\$	\$	\$
<b>Financial Position</b>			
Total assets	8,022	-	1,191
Total liabilities	23,898	7,682	15,575
<b>Operations</b>			
Expenses			
Operating expenses	148,194	8,873	25,384
Other items	28,750	(575)	-
Net loss for the year	176,944	8,298	25,384
Basic and diluted loss per share	(0.04)	(0.01)	(0.08)

## RESULTS OF OPERATIONS

### For the year ended November 30, 2017 compared to the year ended November 30, 2016

The Company recorded net loss of \$176,944 for the year ended November 30, 2017 compared to a net loss of \$8,298 for the corresponding period in 2016. Some of the significant charges to operations are as follows:

- Consulting fees of \$120,000 (2016 - \$Nil) were incurred during the year, of which \$25,000 was a non-cash item paid in shares. Certain current and prior period consulting fees were paid to companies controlled by certain officers and directors of the Company.
- Directors fees of \$6,000 (2016 - \$Nil) were paid to directors.
- Professional fees of \$7,086 (2016 - \$6,856) were paid for professional services.
- Transfer agent fees of \$9,527 (2016 – \$787) indicate an increase of \$8,740.

## FOURTH QUARTER RESULTS

The table below presents financial data for the Company's fourth quarter results.

	Note	Quarter ended November 30, 2017	Quarter ended November 30, 2016
<b>Expenses</b>			
Consulting fees		\$ 53,750	\$ -
Office and miscellaneous		2,638	1,166
Professional fees	4	(2,606)	2,266
Rent		1,000	-
Transfer Agent		532	(1,446)
<b>Net Loss for the quarter</b>		<b>(55,314)</b>	<b>(1,986)</b>
<b>Other Items</b>			
Gain on shares for debt	5	-	575
<b>Other Items</b>		<b>-</b>	<b>575</b>
<b>Comprehensive loss for the quarter</b>		<b>\$ (55,314)</b>	<b>\$ (1,411)</b>

### For the fourth quarter ended November 30, 2017 compared to the fourth quarter ended November 30, 2016

The Company recorded net loss of \$55,314 for fourth quarter ended November 30, 2017 compared to a net loss of \$1,411 for the corresponding period in 2016. Some of the significant charges to operations are as follows:

- Consulting fees of \$53,750 (2016 - \$Nil) were incurred during the period. This included \$25,000 non-cash share issuance payment for consulting work delivered to the company.
- Professional fees recovery of \$(2,606) (2016 - \$2,266) due to an adjustment made to prior periods.

## SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Nov 30 2017	Aug 31 2017	May 31 2017	Feb 28 2017	Nov 30 2016	Aug 31 2016	May 31 2016	Feb 29 2016
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Deficit and Cash Flow</b>								
Interest revenue	-	-	-	-	-	-	-	-
Net income (loss)	(55,314)	(24,612)	(88,283)	(8,736)	(1,411)	(6,842)	(18)	(27)
Basic and diluted gain (loss) per share	(0.01)	(0.00)	(0.07)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
<b>Balance Sheet</b>								
Total Assets	8,022	10,131	17,943	1,673	\$Nil	1,488	1,147	1,164

There are no general trends regarding the Company's quarterly results and the Company's business is not seasonal, as it can develop and progress on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has engaged in new activities or abandoned any projects and these factors which may account for material variations in the Company's quarterly net income (losses) are not predictable.

## EQUITY

On October 25, 2017, the Company issued 1,000,000 common shares with a fair value of \$25,000 as a finder's fee and accounted for as a consulting fee for work done.

On May 26, 2017, the Company issued 5,750,000 common shares with a fair value of \$143,750 to settle loans and accounts payable of \$115,000. A resulting loss on debt settlement of \$28,750 was recognized.

## LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise programs depending on its working capital position.

As at November 30, 2017 the Company had a working capital deficit of \$15,876 (November 30, 2016 - \$7,682) which primarily consisted of cash of \$6,072 (2016 - \$Nil) and receivables of \$1,950 (2016 - \$Nil). Current liabilities, being accounts payable of \$20,398 (2016 - 4,682) and accrued liabilities of \$3,500 (2016 - \$3,000). Refer to the Financial Statements for more information on the use of cash for the periods ended November 30, 2017 and 2016.

Other than the above mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has no assets and has no pledges as security for loans, or otherwise and is not subject to any debt covenants.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

The Company incurred the following related party transactions, with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the exchange amount as follows:

	<b>2017</b>	2016
	<b>\$</b>	<b>\$</b>
Consulting fees	92,000	-
Director's fees	6,000	-
Total	98,000	-

As at November 30, 2017, there was \$16,800 (November 30, 2016: \$nil) included in accounts payable owing due to related parties of the Company. The balances are unsecured, due on demand and is non-interest bearing.

#### **PROPOSED TRANSACTIONS**

There are no specific proposed transactions as at the date of this MD&A.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

## **FINANCIAL INSTRUMENTS AND RISKS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

### **Foreign exchange risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.



## **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at November 30, 2017, the Company did not have any financial instruments subject to interest rate risk.

## **Management of capital**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **RISK FACTORS**

### **Limited Operating History**

Cervantes was incorporated in 2014. The Company is subject to all of the business risks and uncertainties associated with any early-staged enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. The Company has incurred operating losses in recent periods. The Company may not be able to achieve profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

### **No Assurance of Profitability**

The Company has no history of earnings and, due to the nature of its proposed business there can be no assurance that the Company will ever be profitable. The only present source of funds available to the Company is from loans (majority with related parties). While the Company may generate additional working capital through future equity offerings, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

### **Financial Statements Prepared on a Going Concern Basis**

The financial statements for the year ended November 30, 2017 have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several material uncertainties may cast a significant doubt on the validity of this assumption. The Company has incurred losses since inception and has no current source of revenue. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given the volatile and uncertain financial markets. The financial statements do not

include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. At November 30, 2017, the Company had a deficit of \$210,626 (November 30, 2016 - \$33,682) and a working capital deficit of \$15,876 (November 30, 2016 – \$7,682).

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to continue as a going-concern, the net realizable values of its assets may be materially less than the amounts recorded on the consolidated statement of financial position.

### **Financing Risks**

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it. Although the Company has issued equity securities in the past, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of potential future projects with the possible loss of such projects.

### **Key Personnel**

The Company's success will depend on its directors' and officers' ability to develop the Company business and manage its operations, and on the Company ability to attract and retain key quality staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified staff, as well as officers and directors can be intense, and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

### **Conflicts of Interest**

Certain of the Company directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company.

## **Speculative Nature of Investment**

An investment in the Company common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development and planning phases of its business and has not started commercialization of its products and services. The Company's operations are not yet sufficiently established such that the Company can mitigate the risks associated with the Company planned activities.

## **ADDITIONAL SHARE INFORMATION**

As at March 13, 2018, the Company had 7,747,600 common shares issued and outstanding. The Company has no stock options or warrants outstanding.

## **CONTINGENCIES**

The Company is not aware of any contingencies or pending legal proceedings as of November 30, 2017 and as of the date of this report.

## **CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION**

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: evaluation and exploration asset costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.

## **DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

## SCHEDULE “C”

### AUDIT COMMITTEE CHARTER

#### **Purpose of the Committee**

The purpose of the audit committee (the “**Audit Committee**”) of the directors of the Company (the “**Board**”) is to provide an open avenue of communication between management, the Company’s independent auditor and the Board and to assist the Board in its oversight of:

- the integrity, adequacy and timeliness of the Company’s financial reporting and disclosure practices;
- the Company’s compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Company’s independent auditor.

The Audit Committee will also perform any other activities consistent with this Charter, the Company’s articles and governing laws as the Audit Committee or Board deems necessary or appropriate.

The Audit Committee shall consist of at least three directors. Members of the Audit Committee shall be appointed by the Board and may be removed by the Board in its discretion. The members of the Audit Committee shall elect a Chairman from among their number. A majority of the members of the Audit Committee must not be officers or employees of the Company or of an affiliate of the Company. The quorum for a meeting of the Audit Committee is a majority of the members who are not officers or employees of the Company or of an affiliate of the Company. With the exception of the foregoing quorum requirement, the Audit Committee may determine its own procedures.

The Audit Committee’s role is one of oversight. Management is responsible for preparing the Company’s financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board. Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The independent auditor’s responsibility is to audit the Company’s financial statements and provide its opinion, based on its audit conducted in accordance with IFRS, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with IFRS.

The Audit Committee is responsible for recommending to the Board the independent auditor to be nominated for the purpose of auditing the Company’s financial statements, preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, and for reviewing and recommending the compensation of the independent auditor. The Audit Committee is also directly responsible for the evaluation of and oversight of the work of the independent auditor. The independent auditor shall report directly to the Audit Committee.

#### **Authority and Responsibilities**

In addition to the foregoing, in performing its oversight responsibilities the Audit Committee shall:

1. Monitor the adequacy of this Charter and recommend any proposed changes to the Board.
2. Review the appointments of the Company’s Chief Financial Officer and Chief Executive Officer and any other key financial executives involved in the financial reporting process.
3. Review with management and the independent auditor the adequacy and effectiveness of the Company’s accounting and financial controls and the adequacy and timeliness of its financial reporting processes.
4. Review with management and the independent auditor the annual financial statements and related documents and review with management the unaudited quarterly financial statements and related documents, prior to filing or distribution, including matters required to be reviewed under applicable legal or regulatory requirements.
5. Where appropriate and prior to release, review with management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been released to the public.
6. Review the Company’s financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.

7. Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Company, including consideration of the independent auditor's judgment about the quality and appropriateness of the Company's accounting policies. This review may include discussions with the independent auditor without the presence of management.
8. Review with management and the independent auditor significant related party transactions and potential conflicts of interest.
9. Pre-approve all non-audit services to be provided to the Company by the independent auditor.
10. Monitor the independence of the independent auditor by reviewing all relationships between the independent auditor and the Company and all non-audit work performed for the Company by the independent auditor.
11. Establish and review the Company's procedures for the:
  - receipt, retention and treatment of complaints regarding accounting, financial disclosure,
  - internal controls or auditing matters; and
  - confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.
12. Conduct or authorize investigations into any matters that the Audit Committee believes is within the scope of its responsibilities. The Audit Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Company.
13. Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting Company in Parts 2 and 4 of National Instrument 52-110 of the Canadian Securities Administrators, the *Business Corporations Act* (British Columbia) and the articles of the Company.

**CERTIFICATE OF THE COMPANY**

Date: April 14, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of British Columbia.

(signed) "*Joel Dumaresq*"

**JOEL DUMARESQ**

Chief Executive Officer and Interim Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "*Peter Nguyen*"

**PETER NGUYEN**

Director

(signed) "*Jason Taylor*"

**JASON TAYLOR**

Director

## CERTIFICATE OF THE PROMOTER

Date: April 14, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of British Columbia.

(signed) "*Joel Dumaresq*"  
**JOEL DUMARESQ**  
Promoter