

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada, but has not yet become final for the purposes of the sale of the securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus is a base shelf prospectus. This short form prospectus has been filed under legislation in each of the provinces and territories of Canada, that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this short form prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States or to U.S. persons.

Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Nextleaf Solutions Ltd. at #304 – 68 Water Street, Vancouver, British Columbia, V6B 1A4, telephone (604) 283-2301, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue

November 15, 2021



NEXTLEAF SOLUTIONS LTD.

\$20,000,000

Common Shares

Warrants

Options

Subscription Receipts

Debt Securities

Units

This short form base shelf prospectus (the “**Prospectus**”) relates to the offering for sale of common shares (the “**Common Shares**”), warrants (the “**Warrants**”), options (the “**Options**”), subscription receipts (the “**Subscription Receipts**”), debt securities (the “**Debt Securities**”) or any combination of such securities (the “**Units**”) (all of the foregoing, collectively, the “**Securities**”) of Nextleaf Solutions Ltd. (the “**Company**” or “**Nextleaf**”) by the Company from time to time, during the 25-month period that this Prospectus, including any amendments hereto, remains effective, in one or more series or issuances, with a total offering price of the Securities in the aggregate, of up to \$20,000,000.

The Securities may be offered in amounts and at prices to be determined based on market conditions at the time of the sale and set forth in an accompanying shelf prospectus supplement (a “**Prospectus Supplement**”). In addition, Securities may be offered and issued by the Company or a subsidiary of the Company in consideration for the acquisition of other businesses, assets or securities. The consideration for any such acquisition may consist of any of

the Securities separately, a combination of Securities or any combination of, among other things, Securities, cash and assumption of liabilities. See “Plan of Distribution”.

Investing in the Securities of the Company involves a high degree of risk. You should carefully review the risks outlined in this Prospectus (together with any Prospectus Supplement) and in the documents incorporated by reference therein and consider such risks in connection with such investment. See “Risk Factors”.

The specific terms of the Securities with respect to a particular offering will be set out in one or more Prospectus Supplements and may include, where applicable: (i) in the case of Common Shares, the number of Common Shares being offered, the offering price and any other specific terms; (ii) in the case of Warrants or Options, the number of Warrants or Options offered, the offering price, the designation, number and terms of the Common Shares issuable upon exercise of the Warrants or Options, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants or Options are issued and any other specific terms; (iii) in the case of Subscription Receipts, the number of Subscription Receipts offered, the offering price, the procedures for the exchange of the Subscription Receipts for Common Shares or other Securities, as the case may be, and any other specific terms; (iv) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, the maturity, interest provisions, authorized denominations, offering price, covenants, events of default, any terms for redemption, any exchange or conversion terms, whether the debt is senior, senior subordinated or subordinated, whether the debt is secured or unsecured and any other terms specific to the Debt Securities being offered; and (v) in the case of Units, the designation, number and terms of the Common Shares, Warrants, Options, Subscription Receipts or Debt Securities comprising the Units.

All shelf information permitted under applicable securities legislation to be omitted from the Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with the Prospectus, except in cases where an exemption from such delivery requirement has been obtained. Each Prospectus Supplement will be incorporated by reference into the Prospectus for the purposes of applicable securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains. Investors should read the Prospectus and any applicable Prospectus Supplement carefully before investing in the Securities.

This Prospectus constitutes a public offering of the Securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell the Securities in such jurisdictions. The Company may offer and sell Securities to, or through, underwriters or dealers or through agents pursuant to exemptions from registration or qualification under applicable securities laws. A Prospectus Supplement relating to each issue of Securities will set forth the names of any underwriters, dealers or agents involved in the offering and sale of the Securities and will set forth the terms of the offering of the Securities, the method of distribution of the Securities, including, to the extent applicable, the proceeds to the Company and any fees, discounts, concessions or other compensation payable to the underwriters, dealers or agents, and any other material terms of the plan of distribution. This Prospectus may qualify an “at-the-market-distribution” as such term is defined in National Instrument 44-102 *Shelf Distributions* (“NI 44-102”). In connection with any offering of the Securities, other than an “at-the-market distribution” unless otherwise specified in a Prospectus Supplement, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. Such transaction, if commenced, may be interrupted or discontinued at any time. No underwriter, dealer or agent involved in an “at-the-market” distribution under the applicable Prospectus Supplement, no affiliate of such an underwriter, dealer or agent and no person or company acting jointly or in concert with such underwriter, dealer or agent will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the Securities, including selling an aggregate number or principal amount of securities that would result in the underwriter, dealer or agent creating an over-allocation position in the Securities. See “Plan of Distribution”.

Unless otherwise disclosed herein or in any applicable Prospectus Supplement, the Warrants, the Options, the Subscription Receipts, the Debt Securities and the Units will not be listed on any securities exchange. Unless the Securities are disclosed to be listed, there will be no market through which these Securities may be sold, and purchasers may not be able to resell these Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities, and the extent of issuer regulation.

The Common Shares are listed for trading on the Canadian Securities Exchange (the “CSE”) under the trading symbol “OILS” on the OTCQB under the symbol “OILFF”. On November 12, 2021, the closing price of the Company’s Common Shares was \$0.26 per Common Share. The Company’s registered and head office is located at #304 – 68 Water Street, Vancouver, British Columbia, V6B 1A4.

In the Prospectus, “Nextleaf”, “we”, “us” and “our” refers, collectively, to Nextleaf Solutions Ltd. and its wholly owned subsidiaries. Unless otherwise indicated, all references to dollar amounts are to Canadian dollars.

TABLE OF CONTENTS

| | Page |
|--|-------------|
| GENERAL MATTERS | 1 |
| DOCUMENTS INCORPORATED BY REFERENCE | 1 |
| CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION..... | 3 |
| CURRENCY PRESENTATION..... | 5 |
| SUMMARY DESCRIPTION OF THE BUSINESS | 5 |
| REGULATORY OVERVIEW | 7 |
| USE OF PROCEEDS | 15 |
| EARNINGS COVERAGE RATIO | 17 |
| CONSOLIDATED CAPITALIZATION OF THE COMPANY | 17 |
| PRIOR SALES | 17 |
| TRADING PRICE AND VOLUME | 19 |
| DIVIDEND RECORD AND POLICY..... | 19 |
| DESCRIPTION OF SECURITIES..... | 20 |
| PLAN OF DISTRIBUTION..... | 25 |
| RISK FACTORS | 26 |
| EXEMPTIVE RELIEF | 27 |
| CERTAIN INCOME TAX CONSIDERATIONS..... | 27 |
| INTERESTS OF EXPERTS..... | 28 |
| AUDITORS, TRANSFER AGENT AND REGISTRAR..... | 28 |
| STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION | 28 |
| CERTIFICATE OF NEXTLEAF SOLUTIONS LTD. | C-1 |

GENERAL MATTERS

Nextleaf is a British Columbia company that is a “reporting issuer” under Canadian securities laws in the provinces of British Columbia, Alberta and Ontario. The Common Shares are listed for trading on the Canadian Securities Exchange (the “CSE”) under the trading symbol “OILS” on the OTCQB under the symbol “OILFF”.

This Prospectus is a short form base shelf prospectus that has been filed with the securities commissions in each of the provinces and territories of Canada in order to qualify the offering of the Securities described in this Prospectus in accordance with NI 44-102.

Under this Prospectus, the Company may sell any combination of the Securities described in this Prospectus in one or more offerings up to a total aggregate initial offering price of \$20,000,000. This Prospectus provides you with a general description of the Securities that we may offer in connection with this Prospectus. Each time we sell Securities under this Prospectus we will provide a Prospectus Supplement that will contain specific information about the terms of that specific offering. The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in a Prospectus Supplement.

You should rely only on the information contained in or incorporated by reference into this Prospectus and in any applicable Prospectus Supplement. The Company has not authorized anyone to provide you with different information. The Company is not making any offer of these Securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus and any Prospectus Supplement is accurate as of any date other than the date on the front of those documents or that any information contained in any document incorporated by reference is accurate as of any date other than the date of that document.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Company filed with various securities commissions or similar authorities in provinces and territories of Canada in which we are a reporting issuer are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) annual information form of the Company dated November 15, 2021 (the “AIF”) for the year ended September 30, 2020;
- (b) audited consolidated financial statements of the Company as at and for the years ended September 30, 2020 and 2019, together with the notes thereto and the auditors’ report of Davidson & Company LLP thereon;
- (c) management’s discussion and analysis of the Company for the year ended September 30, 2020 (the “MD&A”);
- (d) amended and restated unaudited condensed interim consolidated financial statements of the Company for the three and nine month periods ended June 30, 2021 and 2020, together with the notes thereto;
- (e) amended and restated management’s discussion and analysis of the Company for the three and nine months ended June 30, 2021;
- (f) management information circular of the Company dated April 12, 2021 relating to the annual general meeting of shareholders held on May 14, 2021;

- (g) material change report dated January 13, 2021 with respect to an amendment to the Company's research license from Health Canada to conduct controlled human administration trials;
- (h) material change report dated February 16, 2021 with respect to the issuance of Common Shares and incentive stock options to certain consultants and non-executive employees; and
- (i) material change report dated April 9, 2021 with respect to a private placement of secured convertible debentures and warrants (the "**March Private Placement**").

Any document of the type referred to in Section 11.1 of Form 44-101F1 *Short Form Prospectus* (excluding confidential material change reports) filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and before the termination of the distribution are deemed to be incorporated by reference into this Prospectus.

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

Upon a new annual information form and related annual financial statements being filed by us with, and where required, accepted by, the applicable securities regulatory authority during the currency of this Prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and information circulars and all Prospectus Supplements filed prior to the commencement of our financial year in which a new annual information form is filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon condensed consolidated interim financial statements and the accompanying management's discussion and analysis of financial condition and results of operations being filed by us with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, all condensed consolidated interim financial statements and the accompanying management's discussion and analysis of financial condition and results of operations filed prior to such new condensed consolidated interim financial statements and management's discussion and analysis of financial condition and results of operations shall be deemed to no longer be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus. In addition, upon a new management information circular for an annual meeting of shareholders being filed by us with the applicable Canadian securities commissions or similar regulatory authorities during the period that this Prospectus is effective, the previous management information circular filed in respect of the prior annual meeting of shareholders shall no longer be deemed to be incorporated into this Prospectus for purposes of future offers and sales of Securities under this Prospectus.

All information permitted under applicable securities legislation to be omitted from the Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with the Prospectus, except in cases where an exemption from such delivery requirements has been obtained. A Prospectus Supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement, but only for the purposes of the offering of Securities covered by that Prospectus Supplement. Investors should read the Prospectus and any applicable Prospectus Supplement carefully before investing in the Company's Securities.

Any template version of any “marketing materials” (as such term is defined in National Instrument 44-101 *Short Form Prospectus Distributions*) filed after the date of a Prospectus Supplement and before the termination of the distribution of the Securities offered pursuant to such Prospectus Supplement (together with this Prospectus) is deemed to be incorporated by reference in such Prospectus Supplement.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Prospectus, and in certain documents incorporated by reference herein, constitute “forward-looking information” and “forward-looking statements” (collectively referred to as “**forward-looking statements**”) within the meaning of Canadian securities legislation. All statements other than statements of historical fact contained in this Prospectus and in documents incorporated by reference in this Prospectus, including, without limitation, those regarding the Company’s future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words “considers”, “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology, are forward-looking statements.

These statements are not historical facts but instead represent only the Company’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” in the AIF and in this Prospectus and in other documents incorporated by reference in this Prospectus. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this Prospectus and in documents incorporated by reference in this Prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this Prospectus and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this Prospectus and in documents incorporated by reference in this Prospectus are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company’s ability to operate on a profitable basis.

Risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- regulatory risks and uncertainties related to psychedelics;
- limited operating history;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- risks related to the COVID-19 pandemic;
- disruption of supply chain;
- client risks;
- realization of growth targets including expansion of facilities and operations;
- history of net losses;

- difficulty to forecast;
- rapid growth and consolidation of the industry;
- competition;
- development and commercialization of new products;
- inability to sustain pricing and inventory models;
- legal proceedings;
- product liability;
- product recall;
- reliance on a production facility;
- dependence on supply of cannabis and other key inputs;
- the publication of negative results of clinical trials;
- failure to comply with laws in all jurisdictions;
- marketing constraints;
- research and development;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- unfavourable publicity or consumer perception;
- social media;
- reliance on key executives and scientists;
- employee misconduct;
- business expansion and growth;
- success of quality control systems;
- reliance on key inputs;
- liability arising from fraudulent or illegal activity;
- operating risk and insurance coverage;
- costs of operating a public corporation;
- management of growth;
- conflicts of interest;
- cybersecurity and privacy risk;
- environmental and employee health and safety regulations risk;
- trade secrets;
- patent law reform;
- patent litigation and intellectual property;
- protection of intellectual property;
- third-party licenses;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- risk of default under convertible notes;
- negative operating cash flow;
- market for the Common Shares;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- volatile market price for the Common Shares;
- tax issues related to the Common Shares;
- market for securities;
- future sales affecting market price;
- management discretion concerning use of proceeds; and
- other risks detailed from time-to-time in our annual information forms, annual reports, MD&A, quarterly reports and material change reports filed with and furnished to securities regulators.

In addition to the factors set out above and those identified under the heading “Risk Factors” in the AIF and in this Prospectus, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Many of these factors are beyond the Company’s ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect the Company. The Company may note additional factors elsewhere in this Prospectus and in any documents incorporated by reference into this Prospectus. All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on the Company’s behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, the Company undertakes no obligation to update any forward-looking statement.

CURRENCY PRESENTATION

Unless otherwise indicated, all dollar amounts in this Prospectus and any Prospectus Supplement are expressed in Canadian dollars.

SUMMARY DESCRIPTION OF THE BUSINESS

This summary does not contain all the information that may be important to you in deciding whether to invest in the Securities. You should read the entire Prospectus, including the section entitled “Risk Factors” and any documents incorporated by reference herein before making such decision. Further information regarding the Company and its business is set out in the AIF, which is incorporated by reference herein.

Overview

Nextleaf is an innovative cannabis processor that owns one of the largest portfolios of U.S. patents for the extraction, purification, and delivery of cannabinoids. Through its wholly-owned subsidiary Nextleaf Labs Ltd. (“**Nextleaf Labs**”), a licenced processor, the Company is a low-cost producer of cannabis distillate and private label THC and CBD oils. Nextleaf’s automated closed-loop extraction plant in Metro Vancouver has a design capacity to process 600 kg of dried cannabis into oil per day. The Company has been issued 17 U.S. patents and 90 patents globally.

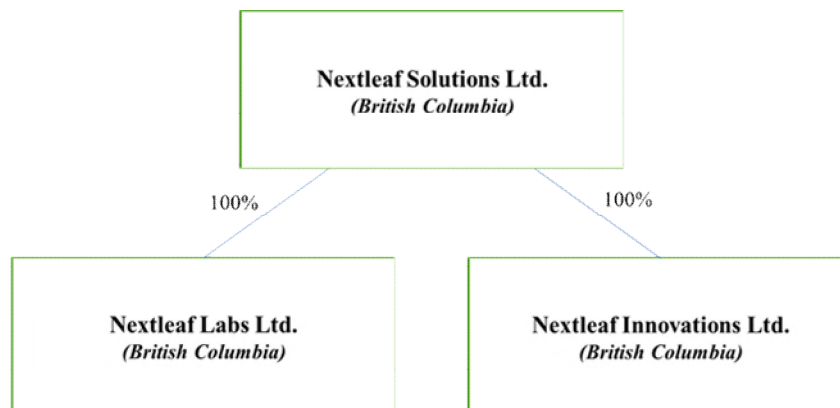
Nextleaf develops proprietary delivery technology through its Health Canada Cannabis Research Licence, including conducting sensory evaluation of cannabis via human testing. The Company’s proprietary Rapid emulsification technology by OILS™ powers differentiated edible cannabis products. Nextleaf is commercializing its issued and pending patents through licensing of intellectual property, providing extraction services, supplying cannabis oils to qualified Canadian and international business-to-business partners under their own brand, and selling products through provincial distribution boards for the adult-use market under the brand “Glacial Gold”.

Nextleaf, through its subsidiary Nextleaf Labs, holds Health Canada licences for standard processing and research, allowing for a number of licenced activities including sensory evaluation of cannabis via human testing. The Company also commercializes its portfolio of issued and pending patents through licensing of intellectual property.

Nextleaf Labs had engaged CannDelta Inc. (“**CannDelta**”) with respect to its application for a Health Canada Controlled Drugs and Substances Dealer’s Licence (the “**Dealer’s Licence**”) and has received acceptance of its application, now formally under review by Health Canada. Assuming application submission and approval from Health Canada, the Dealer’s Licence is expected to allow Nextleaf Labs to conduct a variety of activities relating to psilocybin and psilocin including R&D, intellectual property development, production of base substance materials,

laboratory analysis, as well as the sale and distribution of the substances to authorized individuals, including researchers and for its use in clinical trials.

The following chart sets out all of the Company's material subsidiaries as at the date hereof, their jurisdictions of incorporation and the Company's direct and indirect voting interest in each of these subsidiaries.



COVID-19 Pandemic

On January 30, 2020, the World Health Organization (the “WHO”) declared the ongoing COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a worldwide pandemic. Federal, state, provincial and municipal governments in North America and Australia enacted measures to combat the spread of COVID-19. The COVID-19 outbreak continues to rapidly evolve and is causing business disruptions across the entire global economy and society.

The Company is closely monitoring the evolution of COVID-19. As at the date of this Prospectus, the production and sale of cannabis have been recognized as essential services across Canada. The Company's facility continues to be operational. The Company has taken various measures to prioritize the health and safety of our employees, customers and partners, including restricted work travel and site access; improved safety and hygiene; and the requirement of nonessential staff members to work remotely. As a manufacturer of bulk products which are utilized in the production of consumable and medicinal products, the Company maintains robust quality standards with strict hygiene practices and mandated personal protective equipment.

The duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. The extent of the impact on COVID-19 on the Company's operational and financial performance will depend on various developments, including the duration and magnitude of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted at this point.

Since the date of the AIF, the Company saw the ongoing supply/demand imbalance for cannabis concentrates become exacerbated as a result of the economic uncertainty created through the COVID-19 pandemic. The increased market uncertainty resulting from the COVID-19 pandemic, coupled with the recent and ongoing oversupply of bulk concentrates, has led to delayed and in some cases decreased expenditures from existing and prospective bulk concentrate customers. The Company received wage subsidies from the Canadian federal government under the Canada Emergency Wage Subsidy and continues to monitor its eligibility for various government support programs.

The Company's unaudited cash balance as at June 30, 2021 was approximately \$2,013,000 and working capital of approximately \$126,000, which includes approximately \$2,000,000 related to the current portion of convertible debt. The Company notes that this amount is generally consistent with its working capital balance of approximately \$563,000 as at September 30, 2020, resulting largely from an increase in commercial activity including revenue and related product costs, which generally offset one another.

Select Recent Developments

There have been no material developments in the business of the Company since November 15, 2021, the date of the AIF, which have not been disclosed in this Prospectus or the documents incorporated by reference herein.

REGULATORY OVERVIEW

Cannabis

The production, distribution and sale of cannabis is tightly controlled by the Canadian federal and provincial governments. On October 17, 2018, the Cannabis Act, also known as Bill C-45, came into force as law with the effect of legalizing the non-medical use of cannabis by adults across Canada. The Cannabis Act, among other things, replaced the ACMPR and the *Industrial Hemp Regulations* (“IHR”), both of which came into force under the *Controlled Drug and Substances Act* (Canada) (“CDSA”), which previously permitted access to cannabis for medical purposes for only those Canadians who had been authorized to use cannabis by their health care practitioner. In 2013, Health Canada introduced the commercial cannabis licenced producer program under the *Marihuana for Medical Purposes Regulations* (“MMPR”) program. In August 2016, the MMPR was replaced by the ACMPR. The ACMPR program as it related to commercial production was very similar to the MMPR.

The Cannabis Act permits the non-medical use of cannabis by adults and regulates, among other things, the production, distribution and sale of cannabis and related products in Canada, for both non-medical and medical purposes. Pursuant to the Cannabis Act, subject to provincial and territorial regulations and medical allowances, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis (or the prescribed equivalent amount) in public. The Cannabis Act also permits households to grow a maximum of four cannabis plants, which has been restricted by certain provinces and territories. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and territorial governments the authority to prescribe regulations regarding retail sales and distribution, as well as the ability to regulate certain matters, such as increasing the minimum age for purchase and consumption. The minimum age for purchase and possession of cannabis in each Canadian jurisdiction is 19 years old, except for Québec and Alberta where it is 21 and 18, respectively.

In connection with the new framework for regulating cannabis in Canada, the Federal Government of Canada introduced new penalties under the *Criminal Code* (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

In addition to the Cannabis Act, the Federal Government of Canada published regulations, including the *Cannabis Regulations* (the “**Cannabis Regulations**”) and the new IHR (together with the Cannabis Regulations, collectively, the “**Regulations**”), along with amendments to the *Narcotic Control Regulations* and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline additional rules for the cultivation, processing, research, analytical testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licences that can be granted. The Regulations set standards for these cannabis and hemp products and include strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for federally licenced sites. The Regulations also maintain a distinct system for access to cannabis.

Licences, Permits and Authorizations

The Cannabis Regulations establish the following different classes of licences that are required depending on the nature of the activity being undertaken:

- cultivation licences – standard cultivation, micro-cultivation and nursery cultivation;

- processing licences – standard processing (such as the Licence) and micro-processing;
- sale, and sale for medical purposes;
- analytical testing;
- research; and
- cannabis drug licence.

Pursuant to the Cannabis Regulations, any licence issued will be valid for no more than five years. Each class and subclass of licence carries different rules and requirements. The licence, once issued, identifies the specific activities that the licensee is authorized to conduct. The activities permitted under each class or subclass of licence are set out in the Cannabis Regulations.

Security Clearances

The Act requires that certain individuals associated with a licensee, such as directors, officers, large shareholders and individuals identified by the Minister, obtain security clearances with Health Canada. The Minister grants security clearances if the Minister determines that the applicant does not pose an unacceptable risk to public health or public safety. The Minister may refuse to grant security clearance to individuals with associations to organized crime or with past criminal convictions. Individuals with a record of non-violent, lower-risk criminal activity may still be granted security clearance at the discretion of the Minister. Security clearances granted under the ACMPR are also considered to be valid security clearance under the Cannabis Regulations.

Cannabis Tracking System

Under the Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The cannabis tracking system (together with the licensing portal, collectively known as the “**Cannabis Tracking and Licensing System**”) was established by ministerial order, and came into effect on October 17, 2018. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. Under the tracking system licence holders are required to submit monthly reports to the Minister relating to inventory of its recreational and medical cannabis products.

A new ministerial order, the Cannabis Tracking System Order, was published in the Canada Gazette, Part II on June 26, 2019 and in force on October 17, 2019 in order to address the unique public health and public safety risks associated with edible cannabis, cannabis extracts and topicals authorized by the Regulations Amending the Cannabis Regulations (New Classes of Cannabis) on October 17, 2019. Under the Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada.

The purpose of this system is to enable the submission of licence applications, amendments and renewals through an online portal and track the flow of cannabis throughout the supply chain as a means of preventing the illegal inversion and diversion of cannabis into and out of the regulated system. Under the Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada.

Cannabis Products

The Cannabis Regulations set out the product categories that are permitted for sale. Currently, the Cannabis Regulations permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, including in such forms as “pre-rolled” and capsule products. The THC content and serving size of cannabis products is limited by the Cannabis Regulations.

On October 17, 2019, the Federal Government of Canada released its amendments to the Cannabis Regulations that permit the production of cannabis edibles, extracts and topicals, among a variety of other changes (the “**2019 Amendments**”). A processing licence is required in order to produce edible cannabis, cannabis extracts and cannabis topicals, and to package and label these types of cannabis products for sale to consumers. If a processing licenceholder

processes edible cannabis and food products on the same site, then the production, packaging, labelling, and storage of cannabis and food products will need to be conducted in separate buildings, so as to be separate from any food production.

For medical cannabis patients, Health Canada requires that medical documents be written to include the amount of dried cannabis in grams per day a patient may consume. This requirement applies equally to oils. To assist patients with determining how much oil they should be consuming per day, licensed producers are required to provide an equivalency factor outlining how much oil is equivalent to one gram of dried cannabis.

Packaging and Labelling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. The purpose of the packaging and labeling rules is to promote informed consumer choice, allow for the safe handling and transportation of cannabis, and to reduce the appeal of the products to youth. Vendors must package cannabis in a way that is tamper-proof, child-resistant, prevents contamination and ensures dryness. The Cannabis Regulations also require plain packaging, with strict requirements for logos, colours and branding. The packaging must also contain the following product information:

- product source information, including the name, phone number and email of the cultivator;
- information about the product including class of cannabis, amount, brand name, lot number, storage conditions, packaging date, expiry date;
- a mandatory health warning, rotating between Health Canada's list of standard health warnings;
- the Health Canada standardized cannabis symbol; and
- information specifying THC and CBD content.

Advertising

The Act places a general ban on promotion of cannabis, cannabis accessories or any service related to cannabis, unless the promotional activity is specifically authorized under the Act, such as when done to other licence holders.

Cannabis products may be promoted at their point of sale if the promotion indicates only its availability and/or price. Further, brand preference and informational promotion is permitted if such promotion is:

- in a communication that is addressed and sent to an individual who is 18 years of age or older and is identified by name;
- in a place where young persons are not permitted; or
- communicated by means of a telecommunication, where the person responsible for the content of the promotion has taken reasonable steps to ensure that the promotion cannot be accessed by a young person.

Under the 2019 Amendments, certain representations and associations are prohibited on products, their packages and labels and associated promotional activity, including: certain flavours in cannabis extracts (e.g. confectionary, dessert, soft drink, and energy drink); health or cosmetic benefits unless registered as a health product; energy value and nutrient content representations that go beyond those permitted in the list of ingredients and in the cannabis-specific nutrition facts table; statements reasonably likely to create the impression the edible cannabis or accessory is intended to meet particular dietary requirements; and promotion that could reasonably associate the cannabis, the cannabis accessory or the service related to cannabis with an alcoholic beverage, a tobacco product or a vaping product.

Product Composition

The Cannabis Regulations place restrictions on product composition specific to each type of cannabis product including specific THC limits. Examples of product-specific restrictions include:

- **Edible cannabis:** must be shelf stable; only food and food additives will be allowed to be used as ingredients in edible cannabis and the use of food additives will need to be in accordance with the limits and purposes that are prescribed for foods; must not have caffeine added, however the use of ingredients containing naturally occurring caffeine will be permitted in edible cannabis products provided that the total amount of caffeine in each immediate container does not exceed 30 milligrams; must not contain alcohol in excess of 0.5% w/w; must not contain anything that would cause the sale of the edible cannabis, if it was a food regulated under the Food and Drugs Act, to be prohibited and must not be fortified with vitamins or mineral nutrients.
- **Cannabis extracts:** must not contain ingredients that are sugars, sweeteners or sweetening agents, nor any ingredient listed on Column 1 of Schedule 2 to the Tobacco and Vaping Products Act (which is a list of ingredients that are prohibited in vaping products) except if those ingredients and their levels are naturally occurring in an ingredient used to produce the extract.
- **Cannabis topicals:** must not contain anything that may cause injury to the health of the consumer when the product is used as intended or in a reasonably foreseeable way.

Health Products and Cosmetics Containing Cannabis

Under the current regulatory framework, cannabis is not permitted for use in a natural health product or a non-prescription drug product, as phytocannabinoids are included as prescription drugs on the Human and Veterinary Prescription Drug List (“PDL”). Although, Health Canada has previously authorized prescription drug products containing cannabis, the agency maintains that there remains significant scientific uncertainty regarding the pharmacological actions, therapeutic effectiveness and safety of the majority of phytocannabinoids. The cannabis-based prescription drug products that have been authorized by Health Canada have been studied, authorized and used in specific conditions. While these authorized products have contributed to the global body of knowledge concerning the safety and efficacy of cannabis-based therapies, Health Canada has stated that the presence of scientific uncertainty and limited market experience gives rise to the need for a precautionary approach. Listing all phytocannabinoids on the PDL addresses this uncertainty by allowing healthcare practitioners to monitor and manage any unanticipated effects. Health Canada has launched a consultation on a potential market for cannabis health products that would not require practitioner oversight and is considering the development of a regulatory pathway for cannabis health products. In the meantime, all phytocannabinoids remain listed on the PDL until there is sufficient scientific evidence (e.g., as demonstrated through a submission to Health Canada) to change the prescription status of a particular phytocannabinoid when used in specific conditions.

Under the Cannabis Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics is permitted and will be subject to provisions of the Act.

Import / Export Permits for Medical or Scientific Purposes

Part 10 of the Cannabis Regulations sets out the process by which a license holder may apply for an import or export permit for medical or scientific purposes. A permit must be obtained for each shipment of cannabis. An application for an import or export permit must contain specific information including the name and address of the holder, license number and specifics of the particular shipment including intended use of the cannabis and specific shipment details. The Cannabis Regulations also contain reporting requirements in respect of the import / export of cannabis.

Provincial Regulatory Framework

The Act provides that the provinces and territories of Canada have authority to regulate certain aspects of recreational cannabis (similar to the current regime for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

All Canadian provinces and territories have enacted regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are three general frameworks that the provinces and territories have followed: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g., privately licensed retail stores, while online retailers are operated by the applicable provincial government).

Regardless of the framework, the recreational cannabis market is supplied by federal licence holders. In many cases, provinces that follow the licensed private retailer model will still have a government-run wholesale distributor. Such licensed private retail stores are or will be required to obtain their cannabis products from the wholesalers, and the wholesalers in turn, are or will be required to obtain the cannabis products from the federal licence holders. The minimum age for purchase and possession of cannabis in each Canadian jurisdiction is 19 years old, except for Quebec and Alberta, where it is 18.

Ontario: In Ontario, the distribution and retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation (“OCRC”), under the oversight of the Alcohol and Gaming Commission of Ontario. Online sales are conducted through the Ontario Cannabis Store platform. Ontario also allows the sale of recreational cannabis by private bricks and mortar retailers. Federally licensed producers may now own or control, directly or indirectly, up to 25% of a corporation holding a cannabis Retail Operator Licence (required to hold a Retail Store Authorization) in Ontario, an increase from the previous threshold of 9.9%. Until September 2021, each retail operator (and its affiliates) may own a maximum of 30 cannabis stores, which will increase to 75 cannabis stores in September 2021.

Québec: In Québec, the sale of all recreational cannabis is managed and conducted through the stores of the Société québécoise du cannabis, a subsidiary of the Société des alcools du Québec, and its online site.

British Columbia: In British Columbia, recreational cannabis is sold through both public and privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor (the Alberta Gaming & Liquor Commission), similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority issues private retail store permits, with municipalities having the option of opting out of having a cannabis store if they choose. Saskatchewan is the only jurisdiction to allow for private distribution and wholesale (but regulated by the Saskatchewan Liquor and Gaming Authority).

Manitoba: In Manitoba, a private retail model is in place whereby the Manitoba Liquor and Lotteries Corporation manages the supply and distribution of cannabis to licensed private retailers, and the private sector operates the retail locations.

New Brunswick: In New Brunswick, distribution of recreational cannabis is government-run and recreational cannabis is sold in stores and online through Cannabis NB, a subsidiary of the New Brunswick Liquor Corporation (the “NBLC”). The NBLC also controls the distribution and wholesale of cannabis in the province. The crown corporation Cannabis Management Corporation is responsible for the oversight, organization, conduct, management and control of the retail sales of cannabis. The New Brunswick government had issued a request for proposals relating to privatization of the Cannabis NB operations. This was placed on hold pending the provincial election which occurred in September, 2020 however it remains possible that retail sales will be privatized.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online sales. There is no private licensing of retail. The Nova Scotia Liquor Corporation also controls the distribution and wholesale of cannabis in the province.

Prince Edward Island: In Prince Edward Island, similar to New Brunswick and Nova Scotia, retail is controlled and operated by the government, and cannabis is sold in government-run through PEI Cannabis with physical storefronts and online sales. There is no private licensing of retail. The PEI Cannabis Management Corporation is responsible for the distribution and wholesale of cannabis in the province.

Newfoundland and Labrador: In Newfoundland and Labrador, cannabis is sold through licensed private retailers. The crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp., controls the distribution to private retailers and sets prices for cannabis products. It is also the initial online retailer, although licences may later be issued to private retailers.

Yukon: Recreational cannabis can be purchased through government-run online stores and private retailers licensed by the Cannabis Licensing Board. The Yukon Liquor Corporation is responsible for the distribution and wholesale of cannabis in the territory while the Cannabis Licensing Board is the regulatory body in Yukon. Yukon is developing regulations to enable the licensing of private retailers.

Northwest Territories: The Northwest Territories relies on the N.W.T. Liquor and Cannabis Commission (“**NTLCC**”) to control the importation and distribution of cannabis, whether through NTLCC-approved retail outlets or online through the NTLCC. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis sales in their communities, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut: In Nunavut, the Nunavut Liquor and Cannabis Commission (“**NULC**”) controls the distribution and sale of cannabis, which it conducts online and in physical stores. The NULC also has the authority to contract with agents for the sale of cannabis.

Restrictions on Business Activities Outside of Canada

The Company does not engage in or intend to engage in any US “marijuana-related activities” as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) *Issuers with US Marijuana-Related Activities*. The Company is currently only developing business opportunities in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and our regulatory obligations.

Psychedelics

In Canada, the federal government is responsible for regulating, among other things, the approval, import, sale, and marketing of drugs such as psilocybin and other psychedelic substances, whether natural or novel. The provincial/territorial level of government has authority over the delivery of health care services, including regulating health facilities, administering health insurance plans such as the Ontario Health Insurance Plan, distributing prescription drugs within the province, and regulating health professionals such as doctors, psychologists, psychotherapists and nurse practitioners. Regulation is generally overseen by various colleges formed for that purpose, such as the College of Physicians and Surgeons of Ontario. Health Canada has not approved psilocybin as a drug for any indication.

Certain psychoactive compounds, such as psilocybin, are considered controlled substances under Schedule III of the CDSA. In order to conduct any scientific research, including pre-clinical and clinical trials, using psychoactive compounds listed as controlled substances under the CDSA, an exemption under Section 56 of the CDSA (“**Section 56 Exemption**”) is required. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA. The Company has not applied for a Section 56 Exemption from Health Canada.

The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. A party can apply for a Dealer’s Licence under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior

person in charge and a qualified person in charge. Assuming compliance with all relevant laws (CDSA, Food and Drug Regulations) and subject to any restrictions placed on the licence by Health Canada, an entity with a Dealer’s Licence may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Food and Drugs Regulations – which includes psilocybin and psilocin) (see s. J.01.009 (1) of the Food and Drug Regulations).

The Company has engaged CannDelta with respect to its application for a Dealer’s Licence and has received acceptance of its application, now formally under review by Health Canada. Assuming application submission and approval from Health Canada, the Dealer’s Licence is expected to allow Nextleaf Labs to conduct a variety of activities relating to psilocybin and psilocin including R&D, IP development, production of base substance materials, laboratory analysis, as well as the sale and distribution of the substances to authorized individuals, including researchers and for its use in clinical trials. None of these activities will be conducted prior to receipt of applicable legal or regulatory approval.

The Company makes no medical, treatment or health benefit claims about the Company’s proposed products. Health Canada has not evaluated claims regarding psilocybin, psychedelic tryptamines, tryptamine derivatives or other psychedelic compounds or nutraceutical products. The efficacy of such products have not been confirmed by approved research. There is no assurance that the use of psilocybin, psychedelic tryptamines, tryptamine derivatives or other psychedelic compounds or nutraceuticals can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. Any references to quality, consistency, efficacy and safety of potential products do not imply that the Company verified such in clinical trials or that the Company will complete such trials. If the Company cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the Company’s performance and operations.

MILESTONES

The listing statement of the Company dated March 18, 2019 (the “**Listing Statement**”), which is available on SEDAR at www.sedar.com, identified certain business milestones of the Company, which are reproduced below. As of the date hereof, the Company provided the status of these milestones, the actual or revised estimated costs and the revised date of expected completion thereof, if applicable. Further, the Company has included additional objectives and milestones that have been identified since the date of the Listing Statement.

The following are “forward-looking statements” and as such, there is no guarantee that such milestones will be achieved on the timelines indicated or at all. Forward-looking statements are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions. See “Cautionary Note Regarding Forward-Looking Information” and “Risk Factors”.

| Milestone ⁽¹⁾ | Actual / Estimated Cost | Actual / Estimated Timeframe for Completion | Status |
|--|-------------------------|---|------------|
| Complete construction of the Company’s centralized processing facility in Coquitlam, B.C. including the purchase and installation of equipment, lighting, ventilation, security system and vault. ⁽²⁾ | \$3,260,000 | 2020 fiscal year. | Completed. |
| Secure a Health Canada Research Licence. ⁽²⁾ | \$50,000 | 2020 fiscal year. | Completed. |
| Purchase and set-up extraction and processing equipment at centralized processing facility. ⁽²⁾ | \$4,140,000 | 2020 fiscal year. | Completed. |
| Secure a Health Canada Standard Processing Licence for production of cannabis oil and sale | \$235,000 | 2020 fiscal year. | Completed. |

| Milestone ⁽¹⁾ | Actual / Estimated Cost | Actual / Estimated Timeframe for Completion | Status |
|--|-------------------------|---|------------|
| of cannabis oil to other Health Canada licenced companies. ⁽²⁾ | | | |
| Secure an Authorization to Distribute Licence from Health Canada to permit Nextleaf to complete sales to other Cannabis Act licensed producers. ⁽²⁾ | \$25,000 | 2020 fiscal year. | Completed. |
| Enter into additional cannabis processing service and bulk supply agreements. ⁽³⁾ | \$500,000 | 2021 fiscal year. | Ongoing. |
| Enter into additional intellectual property licensing agreements. ⁽³⁾ | \$200,000 | 2021 fiscal year. | Ongoing. |
| Scale existing extraction and processing utilization at centralized processing facility. ⁽³⁾ | \$200,000 | 2021 fiscal year. | Ongoing. |
| Secure a Health Canada oil sales amendment to permit Nextleaf to complete distribution directly to provinces under our client brands. ⁽³⁾ | \$50,000 | Quarter ended June 30, 2021. | Completed. |
| Secure and fulfill purchase order from the province of British Columbia for cannabis products and completed initial cannabis product delivery. ⁽³⁾ | \$500,000 | Quarter ended September 30, 2021. | Completed. |
| Complete provincial registration for the distribution of cannabis products in Alberta, Ontario, Saskatchewan, Nova Scotia, New Brunswick and Newfoundland and Labrador. ⁽³⁾ | \$250,000 | 2022 fiscal year. | Ongoing |
| Procurement and delivery of cannabis products to various provincial markets nationally. | \$1,000,000 | 2022 fiscal year. | Ongoing. |
| Secure strategic commercial partner for distribution of recreational cannabis products in the province of Quebec. ⁽³⁾ | \$50,000 | Quarter ended December 31, 2021. | Ongoing. |
| Secure Dealer's Licence to permit activities relating to psilocybin and psilocin ⁽³⁾ | \$40,000 | 2022 fiscal year. | Ongoing. |

Notes:

- (1) There may be circumstances where for sound business reasons the Company determines to not proceed with a milestone.
- (2) Disclosed in the Listing Statement.
- (3) Additional objective/milestone identified subsequent to the filing of the Listing Statement.

The actual amount that the Company spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those listed under "Risk Factors" in, or incorporated by reference in, this Prospectus or unforeseen events.

Other than as described in the AIF and herein, to the knowledge of management, there are no other particular significant events or milestones that must occur for the Company's initial business objectives in the next 12 months to be accomplished. However, there is no guarantee that the Company will meet its business objectives or milestones described above within the specific time periods, 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.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, the net proceeds of any offering of securities under a Prospectus Supplement will be used for general corporate purposes, including the milestones described in this Prospectus under the heading "Milestones" and general working capital. More detailed information regarding the use of proceeds from a sale of securities will be included in the applicable Prospectus Supplement.

All expenses relating to an offering of securities and any compensation paid to underwriters, dealers or agents, as the case may be, will be paid out of the Company's general funds, unless otherwise stated in the applicable Prospectus Supplement.

Update - Prior Use of Proceeds Disclosure

The table below describes the Company's anticipated use of proceeds from private placements completed by the Company from March 2019 to May 2020 as outlined in the Listing Statement, and in news releases dated May 15, 2019, May 28, 2020 and March 31, 2021, and the amount expended as of the date of this Prospectus. The Company notes the below variances do not have a material impact on the Company's ability to achieve its business objectives and milestones.

| | <i>A</i> | <i>B</i> | <i>C=A-B</i> |
|---|---|---|---------------------------|
| Use of Available Funds | Previous Disclosure Regarding Use of Proceeds | Estimated amount expended as of the date of this Prospectus | Remaining Use of Proceeds |
| Processing, extraction and distillation equipment | \$2,600,000 ⁽¹⁾ | \$3,260,000 | \$0 |
| Patents and research and development | \$710,000 ⁽²⁾ | \$710,000 | \$0 |
| Strategic investments | \$150,000 ⁽³⁾ | \$200,000 | \$0 |
| Capital markets placement costs | \$300,000 ⁽⁴⁾ | \$796,000 | \$0 |
| Extraction contracts | \$500,000 ⁽⁵⁾ | \$300,000 | \$200,000 |
| General and administration | \$5,680,000 | 5,680,000 | \$0 |
| Total use of funds | \$9,940,000 | \$10,946,000 | \$200,000 |
| Unallocated working capital⁽⁶⁾ | \$5,280,221⁽⁷⁾ | \$4,274,221 | \$0 |
| TOTAL: | \$15,220,221⁽⁸⁾ | \$15,220,221 | \$400,000 |

Notes:

- (1) The Listing Statement disclosed that an aggregate of \$2,600,000 of the proceeds from the March 2019 private placement (the “**March 2019 Private Placement**”) were expected to be used for processing, extraction and distillation equipment. The news release dated March 31, 2021 in connection with the March 2021 Private Placement disclosed that the Company intended to use a portion of the proceeds from the March 2021 Private Placement to enhance efficiencies through automation and additional manufacturing capabilities in 2021.
- (2) The Listing Statement disclosed that an aggregate of \$350,000 of the proceeds of the March 2019 Private Placement were expected to be used for patents and research and development. The Listing Statement disclosed that an additional amount of \$360,000 of the proceeds was expected to be used for patents and research and development. The news release dated May 28, 2020 disclosed that a portion of the proceeds from the May 2020 private placement (the “**May 2020 Private Placement**”) were expected to be used for the global protection of the Company’s intellectual property.
- (3) The Listing Statement disclosed that an aggregate of \$150,000 of the proceeds from the March 2019 Private Placement were expected to be used for strategic investments, including intellectual property licensees.
- (4) As disclosed in the Listing Statement, consists of agents’ commission, legal costs, offering expenses and corporate finance fee. Additional amounts beyond the previously disclosed use of proceeds is due to additional completed financings.
- (5) The news release dated May 28, 2020 disclosed that a portion of the proceeds from the May 2020 Private Placement were expected to be used in connection with the Company’s recently announced extraction contracts. Such costs include sales, marketing and administration costs associated with obtaining extraction contracts.
- (6) Unallocated working capital balance held in short-term, investment grade, interest-bearing securities, in government securities or in bank accounts at the discretion of management.
- (7) The difference between the disclosed amounts and the total funds raised, represents unallocated working capital.
- (8) Consists of (a) \$5,000,000 in gross proceeds from the March 2019 Private Placement, (b) \$4,160,000 in gross proceeds from the May 2019 Private Placement, (c) \$3,060,221 in gross proceeds from the May 2020 Private Placement, and (d) \$3,000,000 in gross proceeds from the March 2021 Private Placement.

The Company has negative cash flow from operating activities and has historically incurred net losses. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company may be required to raise additional funds through the issuance of additional equity securities, through loan financing, or other means, such as through partnerships with other companies and research and development reimbursements. 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 favourable to the Company as those previously obtained. See "Risk Factors".

The expected use of proceeds represents the Company's current intentions based upon its present plans and business condition, which could change in the future as its plans and business conditions evolve. The amounts and timing of the actual use of the net proceeds will depend on multiple factors and there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives. The Company may also require additional funds in order to fulfill its expenditure requirements to meet existing and any new business objectives, and the Company expects to either issue additional securities or incur debt to do so. As a result, management will retain broad discretion in the application of the net proceeds, and investors will be relying on management's judgment regarding the application of the net proceeds.

The actual amount that the Company spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those listed under "Risk Factors" in, or incorporated by reference in, this Prospectus or unforeseen events.

Certain COVID-19 related risks could delay or slow the implementation of the planned objectives resulting in additional costs for the Company to achieve its business objectives. The extent to which COVID-19 may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. As these events are highly uncertain and the Company cannot determine their potential impact on operations at this time. The COVID-19 pandemic may negatively impact the Company’s business through disruption of supply and manufacturing, which would influence the amount and timing of planned expenditure. For example, prolonged disruptions in the supply of goods and services relied on by the Company to develop its products or restrictions resulting from government regulations that impact the Company ability to conduct its studies may adversely impact the Company’s business. See “Summary Description of the Business” and “Risk Factors”

EARNINGS COVERAGE RATIO

Earnings coverage ratios will be provided as required in the applicable Prospectus Supplement(s) with respect to the issuance of Debt Securities pursuant to this Prospectus.

CONSOLIDATED CAPITALIZATION OF THE COMPANY

- i. the authorized share capital of the Company consists of an unlimited number of Common Shares of which 125,318,208 are issued and outstanding; and
- ii. the following convertible securities of the Company are issued and outstanding:
 - a. broker warrants of the Company to purchase up to 195,807 Common Shares at a weighted average exercise price of \$0.30 per Common Share;
 - b. warrants to purchase up to 18,329,988 Common Shares at a weighted average exercise price of \$0.41 per Common Share;
 - c. secured convertible debentures (the “**Debentures**”) in an aggregate principal amount of \$3,300,000 convertible at a price of \$0.288 per Common Share; and
 - d. incentive stock options (“**Options**”) of the Company to purchase up to 16,164,287 Common Shares at a weighted average exercise price of \$0.35 per Common Share.

PRIOR SALES

The following table sets forth the date on, number of and prices at which the Company has issued Common Shares or Securities that are convertible or exercisable into Common Shares in the 12 months preceding the date hereof:

| Date of Issuance | Security | Number of Securities/Aggregate Principal Amount | Issue / Exercise / Conversion Price | Reason for Issuance |
|-------------------|---------------|---|-------------------------------------|---|
| December 10, 2020 | Common Shares | 1,264,706 | \$0.17 | Issued to consultants for services rendered |
| December 10, 2020 | Common Shares | 65,882 | \$0.17 | Issued to an employee as a discretionary bonus |
| December 10, 2020 | Options | 250,000 | \$0.25 | Issued to consultants pursuant to the Company’s stock option plan |
| January 13, 2021 | Options | 630,000 | \$0.35 | Issued to non-executive employees pursuant to the Company’s stock option plan |
| January 20, 2021 | Common Shares | 145,000 | \$0.35 | Issued on exercise of Options granted under the Company’s stock option plan |
| February 16, 2021 | Options | 560,000 | \$0.35 | Issued to non-executive employees pursuant to the Company’s stock option plan |
| February 18, 2021 | Common Shares | 383,428 | \$0.285 | Issued to consultants for services rendered |

| Date of Issuance | Security | Number of Securities/Aggregate Principal Amount | Issue / Exercise / Conversion Price | Reason for Issuance |
|-------------------------|-----------------|--|--|---|
| March 22, 2021 | Common Shares | 24,528 | \$0.265 | Issued to consultants for services rendered |
| March 31, 2021 | Warrants | 6,875,000 | \$0.288 | Issued in connection with the March Private Placement |
| March 31, 2021 | Debentures | \$3,300,000 aggregate principal amount | \$0.288 | Issued in connection with the March Private Placement |
| March 31, 2021 | Common Shares | 250,000 | \$0.24 | Issued in payment of structuring fee in connection with the March Private Placement |
| April 12, 2021 | Common Shares | 45,283 | \$0.265 | Issued to an employee as a discretionary bonus |
| April 13, 2021 | Common Shares | 140,000 | \$0.265 | Issued on exercise of warrants |
| April 21, 2021 | Common Shares | 100,000 | \$0.265 | Issued on exercise of warrants |
| May 6, 2021 | Common Shares | 52,750 | \$0.265 | Issued on exercise of warrants |
| May 12, 2021 | Common Shares | 440,000 | \$0.25 | Issued in payment for ownership and rights associated with the Glacial Gold brand |
| May 12, 2021 | Common Shares | 240,000 | \$0.25 | Issued to consultants for services rendered |
| May 12, 2021 | Common Shares | 187,500 | \$0.24 | Issued to consultants for services rendered |
| May 12, 2021 | Common Shares | 494,000 | \$0.265 | Issued on exercise of warrants |
| May 14, 2021 | Common Shares | 105,000 | \$0.265 | Issued on exercise of warrants |
| May 17, 2021 | Common Shares | 25,000 | \$0.265 | Issued on exercise of warrants |
| June 4, 2021 | Common Shares | 62,500 | \$0.265 | Issued on exercise of warrants |
| August 4, 2021 | Common Shares | 761,905 | \$0.21 | Issued to consultants for services rendered |
| August 4, 2021 | Options | 790,000 | \$0.275 | Issued to non-executive independent directors and a non-executive |

| Date of Issuance | Security | Number of Securities/Aggregate Principal Amount | Issue / Exercise / Conversion Price | Reason for Issuance |
|-------------------------|-----------------|--|--|--|
| | | | | employee pursuant to the Company's stock option plan |
| August 4, 2021 | Common Shares | 25,000 | \$0.265 | Issued on exercise of warrants |

TRADING PRICE AND VOLUME

The Common Shares are listed for trading on the CSE under the stock symbol "OILS". The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Common Shares on the CSE:

| Month | High (\$) | Low (\$) | Volume |
|----------------------|------------------|-----------------|---------------|
| November 2020 | 0.225 | 0.17 | 6,236,722 |
| December 2020 | 0.205 | 0.165 | 5,311,186 |
| January 2021 | 0.42 | 0.175 | 17,301,730 |
| February 2021 | 0.31 | 0.24 | 13,327,220 |
| March 2021 | 0.30 | 0.22 | 5,514,512 |
| April 2021 | 0.275 | 0.235 | 4,492,521 |
| May 2021 | 0.26 | 0.22 | 2,640,732 |
| June 2021 | 0.245 | 0.20 | 2,338,217 |
| July 2021 | 0.235 | 0.205 | 2,599,976 |
| August 2021 | 0.23 | 0.185 | 1,415,657 |
| September 2021 | 0.26 | 0.185 | 3,574,824 |
| October 2021 | 0.34 | 0.215 | 5,713,010 |
| November (1-12) 2021 | 0.285 | 0.25 | 1,257,106 |

As the close of business on November 12, 2021, the last trading day prior to the date of this Prospectus, the price of the Common Shares as quoted by the CSE was \$0.26 per Common Share.

DIVIDEND RECORD AND POLICY

The Company has never declared nor paid dividends on the Common Shares. Currently, the Company intends to retain its future earnings, if any, to fund the development and growth of its business, and the Company does not anticipate declaring or paying any dividends on the Common Shares in the near future, although the Company reserves the right to pay dividends if and when it is determined to be advisable by the board of directors of the Company. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the Common Shares in the foreseeable future.

DESCRIPTION OF SECURITIES

The Securities may be offered under this Prospectus in amounts and at prices to be determined based on market conditions at the time of the sale and such amounts and prices will be set forth in the accompanying Prospectus Supplement. The Securities may be issued alone or in combination and for such consideration determined by our board of directors.

Common Shares

The Company is authorized to issue an unlimited number of Common Shares of which, as at November 12, 2021, 125,318,208 were issued and outstanding.

Each Common Share entitles the holder thereof to one vote at meetings of shareholders of the Company other than meetings of the holders of another class of shares. Each holder of Common Shares is also entitled to receive dividends if, as and when declared by the board of directors of the Company. Holders of Common Shares are entitled to participate in any distribution of the Company's net assets upon liquidation, dissolution or winding-up on an equal basis per share. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

Warrants

This section describes the general terms that will apply to any Warrants for the purchase of Common Shares. To the extent required under applicable law, we will not offer Warrants for sale separately to any member of the public in Canada unless the offering of such Warrants is in connection with and forms a part of the consideration for an acquisition or merger transaction, or unless the applicable Prospectus Supplement containing the specific terms of the Warrants to be offered separately is first approved, in accordance with applicable laws, for filing by the securities commissions or similar regulatory authorities in each of the jurisdictions where the Warrants will be offered for sale.

Subject to the foregoing, we may issue Warrants independently or together with other securities, and Warrants sold with other securities may be attached to or separate from the other securities. Warrants may be issued directly by us to the purchasers thereof or under one or more warrant indentures or warrant agency agreements to be entered into by us and one or more banks or trust companies acting as warrant agent. Warrants, like other Securities that may be sold, may be listed on a securities exchange subject to exchange listing requirements and applicable legal requirements.

This summary of some of the provisions of the Warrants is not complete. The statements made in the Prospectus relating to any warrant agreement and Warrants to be issued under the Prospectus are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement. Investors should refer to the warrant indenture or warrant agency agreement relating to the specific warrants being offered for the complete terms of the Warrants. A copy of any warrant indenture or warrant agency agreement relating to an offering of Warrants will be filed by us with the applicable securities regulatory authorities in Canada following its execution.

The particular terms of each issue of Warrants will be described in the applicable Prospectus Supplement. This description will include, where applicable:

- the designation and aggregate number of Warrants;
- the price at which the Warrants will be offered;
- the currency or currencies in which the Warrants will be offered;
- the date on which the right to exercise the Warrants will commence and the date on which the right will expire;
- if applicable, the identity of the Warrant agent;

- whether the Warrants will be listed on any securities exchange;
- any minimum or maximum subscription amount;
- the number of Common Shares that may be purchased upon exercise of each Warrant and the price at which and currency or currencies in which the Common Shares may be purchased upon exercise of each Warrant;
- the designation and terms of any securities with which the Warrants will be offered, if any, and the number of the Warrants that will be offered with each security;
- the date or dates, if any, on or after which the Warrants and the related securities will be transferable separately;
- whether the Warrants will be subject to redemption and, if so, the terms of such redemption provisions;
- whether the Warrants are to be issued in registered form, "book-entry only" form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Warrants and the Common Shares to be issued upon exercise of the Warrants;
- any other rights, privileges, restrictions and conditions attaching to the Warrants and the Common Shares to be issued upon exercise of the Warrants;
- material Canadian federal income tax consequences of owning and exercising the Warrants; and
- any other material terms or conditions of the Warrants and the Securities to be issued upon exercise of the Warrants.

The terms and provisions of any Warrants offered under a Prospectus Supplement may differ from the terms described above and may not be subject to or contain any or all of the terms described above.

Prior to the exercise of any Warrants, holders of Warrants will not have any of the rights of holders of the Common Shares purchasable upon such exercise or the right to vote such underlying securities.

Options

We may issue or grant Options in connection with acquisitions, merger transactions, or to directors, officers, employees or consultants, as applicable. This section describes the general terms that may apply to such Options and does not purport to be complete.

The particular terms and conditions applicable to each Option issue will be comprehensively described in the applicable Option Agreement and related Prospectus Supplement. This description will include, where applicable:

- the designation and aggregate number of Options;
- the price at which the Options will be offered;
- the currency or currencies in which the Options will be offered;
- the date on which the right to exercise the Options will commence and the date on which the right will expire;
- the number of Common Shares that may be issued upon exercise of each Option and the price and currency or currencies in which the Common Shares may be purchased upon exercise of each Option;

- the date or dates, if any, on or after which the Options and the related securities will be transferable separately;
- any resale restrictions and vesting criteria related to the Options;
- any applicable accelerated vesting provisions applicable to the Options;
- any early termination provisions relating to the Options;
- any material risk factors relating to such Options and the Common Shares to be issued upon exercise of the Options;
- any other rights, privileges, restrictions and conditions attaching to the Options and the Common Shares to be issued upon exercise of the Options;
- material Canadian federal income tax consequences of owning and exercising the Options; and
- any other material terms or conditions of the Options and the Securities to be issued upon exercise of the Options.

Prior to the exercise of any Options, holders of Options will not have any of the voting or other rights applicable to holders of Common Shares.

Subscription Receipts

This section describes the general terms that will apply to any Subscription Receipts that may be offered by us pursuant to the Prospectus. Subscription Receipts may be offered separately or together with Common Shares or Warrants, as the case may be. The Subscription Receipts will be issued under a Subscription Receipt agreement.

In the event we issue Subscription Receipts, we will provide the original purchasers of Subscription Receipts a contractual right of rescission exercisable following the issuance of Common Shares to such purchasers.

The applicable Prospectus Supplement will include details of the Subscription Receipt agreement covering the Subscription Receipts being offered. A copy of the Subscription Receipt agreement relating to an offering of Subscription Receipts will be filed by us with the applicable securities regulatory authorities after it has been entered into by us. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement. This description will include, where applicable:

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered;
- the currency at which the Subscription Receipts will be offered and whether the price is payable in installments;
- the procedures for the exchange of the Subscription Receipts into Common Shares, Warrants or Units;
- the number of Common Shares, Warrants or Units that may be issued upon exercise or deemed conversion of each Subscription Receipt;
- the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- conditions to the conversion or exchange of Subscription Receipts into other Securities and the consequences of such conditions not being satisfied;
- terms applicable to the gross or net proceeds from the sale of the Subscription Receipts plus any interest earned thereon;

- the dates or periods during which the Subscription Receipts may be converted or exchanged;
- the circumstances, if any, which will cause the Subscription Receipts to be deemed to be automatically converted or exchanged;
- provisions applicable to any escrow of the gross or net proceeds from the sale of the Subscription Receipts plus any interest or income earned thereon, and for the release of such proceeds from such escrow;
- if applicable, the identity of the Subscription Receipt agent;
- whether the Subscription Receipts will be listed on any securities exchange;
- whether the Subscription Receipts will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Subscription Receipts are to be issued in registered form, "book-entry only" form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Subscription Receipts and the Securities to be issued upon conversion or exchange of the Subscription Receipts;
- any other rights, privileges, restrictions and conditions attaching to the Subscription Receipts and the Securities to be issued upon exchange of the Subscription Receipts;
- material Canadian income tax consequences of owning or converting or exchanging the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts and the Securities to be issued upon the exchange of the Subscription Receipts.

The terms and provisions of any Subscription Receipts offered under a Prospectus Supplement may differ from the terms described above and may not be subject to or contain any or all of the terms described above.

Prior to the exchange of any Subscription Receipts, holders of such Subscription Receipts will not have any of the rights of holders of the Securities for which the Subscription Receipts may be exchanged, including the right to receive payments of dividends or the right to vote such underlying securities.

Debt Securities

We may issue Debt Securities in one or more series under an indenture (the “**Indenture**”), to be entered into among the Company and a financial institution to which the *Trust and Loan Companies Act* (Canada) applies or a financial institution organized under the laws of any province of Canada and authorized to carry on business as a trustee. Each such Indenture will set out the terms of the applicable series of the Debt Securities. The statements made hereunder relating to any Indenture and the Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Indenture. Each Indenture may provide that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by the Company.

The specific terms and provisions of the Debt Securities offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms and provisions described below may apply to such Debt Securities, will be described in such Prospectus Supplement.

The applicable Prospectus Supplement for any series of Debt Securities that we offer will describe the specific terms of the Debt Securities and may include, but is not limited to, any of the following:

- the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- the currency or currency units for which the Debt Securities may be purchased and the currency or currency unit in which the principal and any interest is payable (in either case, if other than Canadian dollars);
- the percentage of the principal amount at which such Debt Securities will be issued;
- the date or dates on which such Debt Securities will mature;
- the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- the dates on which any interest will be payable and the record dates for such payments;
- the trustee of the Debt Securities under the Indenture pursuant to which the Debt Securities are to be issued;
- the designation and terms of any securities with which the Debt Securities will be offered, if any, and the number of Debt Securities that will be offered with each security;
- whether the Debt Securities are subject to redemption or call and, if so, the terms of such redemption or call provisions;
- whether such Debt Securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any exchange or conversion terms;
- whether the Debt Securities will be subordinated to other liabilities of the Company and, if so, to what extent;
- certain material Canadian tax consequences of owning the Debt Securities, if any; and
- any other material terms and conditions of the Debt Securities.

Debt Securities may be issued at various times with different maturity dates, may bear interest at different rates and may otherwise vary. The Debt Securities may only be convertible into or exchangeable for securities of the Company and not into securities of other parties. Unless stated otherwise in the applicable Prospectus Supplement, no holder of Debt Securities will have the right to require us to repurchase the Debt Securities and there will be no increase in the interest rate if we become involved in a highly leveraged transaction or if we have a change of control.

Units

We may issue Units comprised of one or more of the other Securities described in the Prospectus in any combination. Each Unit will be issued so that the holder of the Unit is also the holder of each of the Securities included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included Security. The unit agreement, if any, under which a Unit is issued may provide that the Securities included in the Unit may not be held or transferred separately, at any time or at any time before a specified date.

The particular terms and provisions of Units offered by any Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Units. This description will include, where applicable:

- the number of Units offered;
- the price or prices, if any, at which the Units will be issued;

- the currency at which the Units will be offered;
- the Securities comprising the Units;
- whether the Units will be issued with any other Securities and, if so, the amount and terms of these Securities;
- any minimum or maximum subscription amount;
- whether the Units and the Securities comprising the Units are to be issued in registered form, “book-entry only” form, non-certificated inventory system form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any material risk factors relating to such Units or the Securities comprising the Units;
- any other rights, privileges, restrictions and conditions attaching to the Units or the Securities comprising the Units; and
- any other material terms or conditions of the Units or the Securities comprising the Units, including whether and under what circumstances the Securities comprising the Units may be held or transferred separately.

The terms and provisions of any Units offered under a Prospectus Supplement may differ from the terms described above and may not be subject to or contain any or all of the terms described above.

PLAN OF DISTRIBUTION

We may offer and sell Securities through agents, or through underwriters or dealers designated by us from time to time. We may distribute the Securities from time to time in one or more transactions at fixed prices (which may be changed from time to time), at market prices prevailing at the times of sale, at varying prices determined at the time of sale, at prices related to prevailing market prices or at negotiated prices including sales in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made directly on the TSX or other existing trading markets for the Securities. Any transactions that are deemed “at-the-market distributions” will be subject to applicable regulatory approval. No underwriter, dealer or agent, no affiliate of such an underwriter, dealer or agent and no person acting jointly or in concert with such an underwriter, dealer or agent involved in an “at-the-market distribution” will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market prices of the Securities. A description of such pricing will be disclosed in the applicable Prospectus Supplement. We may offer different classes of Securities in the same offering, or we may offer different classes of Securities in separate offerings.

A Prospectus Supplement will describe the terms of each specific offering of Securities, including: (i) the terms of the Securities to which the Prospectus Supplement relates, including the type of Securities being offered; (ii) the name or names of any agents, underwriters or dealers involved in such offering of Securities; (iii) the purchase price of the Securities offered thereby and the proceeds to, and the portion of expenses borne by, the Company from the sale of such Securities; (iv) any agents’ commission, underwriting discounts and other items constituting compensation payable to agents, underwriters or dealers; and (v) any discounts or concessions allowed or re-allowed or paid to agents, underwriters or dealers.

If underwriters are used in an offering, the Securities offered thereby will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase Securities will be subject to the conditions precedent agreed upon by the parties and the underwriters will be obligated to purchase all Securities under that offering if any are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid to agents, underwriters or dealers may be changed from time to time.

Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company to indemnification by the Company against certain liabilities, including liabilities under the Canadian securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

In connection with any offering of Securities, other than an “at-the-market distribution”, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities may also be sold through agents designated by the Company from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent is acting on a “best efforts” basis for the period of its appointment.

We may agree to pay the underwriters or agents a commission for various services relating to the issue and sale of any Securities offered under any Prospectus Supplement. In addition, underwriters or agents may sell the securities to or through dealers, and those dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or agents and/or commissions from the purchasers for which they may act as agent. Agents, underwriters or dealers who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company to indemnification by the Company against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof.

Each class or series of Warrants, Options, Subscription Receipts, Debt Securities and Units will be a new issue of Securities with no established trading market. Unless otherwise specified in the applicable Prospectus Supplement, Warrants, Options, Subscription Receipts, Debt Securities or Units will not be listed on any securities or stock exchange. Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Warrants, Options, Subscription Receipts, Debt Securities or Units may be sold, and purchasers may not be able to resell Warrants, Options, Subscription Receipts, Debt Securities or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Warrants, Options, Subscription Receipts, Debt Securities or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. Subject to applicable laws, certain dealers may make a market in the Warrants, Options, Subscription Receipts, Debt Securities or Units, as applicable, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any dealer will make a market in the Warrants, Options, Subscription Receipts or Units or as to the liquidity of the trading market, if any, for the Warrants, Options, Subscription Receipts, Debt Securities or Units.

In connection with any offering of Securities, unless otherwise specified in a Prospectus Supplement, underwriters or agents may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of Securities offered at levels other than those which might otherwise prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

RISK FACTORS

Before making an investment decision to purchase any Securities, investors should carefully consider the information described in this Prospectus and the documents incorporated or deemed incorporated by reference herein, including the applicable Prospectus Supplement. There are certain risks inherent in an investment in the Securities, including the factors described in the AIF, in the MD&A and any other risk factors described herein or in a document incorporated or deemed incorporated by reference herein, which investors should carefully consider before investing. Additional risk factors relating to a specific offering of Securities will be described in the applicable Prospectus Supplement. Some of the factors described herein, in the documents incorporated or deemed incorporated by reference herein, and/or the applicable Prospectus Supplement are interrelated and, consequently, investors should treat such risk factors as a whole. If any of the adverse effects set out in the risk factors described herein, in the AIF, in the

MD&A, in another document incorporated or deemed incorporated by reference herein or in the applicable Prospectus Supplement occur, it could have a material adverse effect on the business, financial condition and results of operations of the Company. Additional risks and uncertainties of which the Company currently is unaware or that are unknown or that it currently deems to be immaterial could have a material adverse effect on the Company's business, financial condition and results of operations. The Company cannot assure you that it will successfully address any or all of these risks. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the adverse effects set out in the risk factors herein, in the AIF, in the MD&A, in the other documents incorporated or deemed incorporated by reference herein or in the applicable Prospectus Supplement or other unforeseen risks.

Risks Related to Future Offerings

Market for Securities

There is no existing trading market for the Warrants, Options, Subscription Receipts, Debt Securities or Units. As a result, there can be no assurance that a liquid market will develop or be maintained for those Securities, or that a purchaser will be able to sell any of those Securities at a particular time (if at all). We may not list the Warrants, Options, Subscription Receipts, Debt Securities or Units on any Canadian or U.S. securities exchange.

Future Sales Affecting Market Price

In order to finance future operations, we may determine to raise funds through the issuance of additional Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. We cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the dilutive effect, if any, that future issuances and sales of our securities will have on the market price of our Common Shares. These sales may have an adverse impact on the market price of our Common Shares.

Management Discretion Concerning Use of Proceeds

Our management will have substantial discretion concerning the use of proceeds of an offering under any Prospectus Supplement as well as the timing of the expenditure of the proceeds thereof. As a result, investors will be relying on the judgment of management as to the specific application of the proceeds of any offering of Securities under any Prospectus Supplement. Management may use the net proceeds of any offering of Securities under any Prospectus Supplement in ways that an investor may not consider desirable. The results and effectiveness of the application of the net proceeds are uncertain.

EXEMPTIVE RELIEF

Pursuant to a decision of the Autorité des marchés financiers dated November 10, 2021, the Company was granted a permanent exemption from the requirement under section 40.1 of the *Securities Act* (Québec) to translate into French this Prospectus, as well as the documents incorporated by reference herein, and any Prospectus Supplement to be filed in relation to an “at-the-market distribution”. This exemption is granted on the condition that if the Company offers securities to Québec purchasers other than in relation to an “at-the-market distribution”, this Prospectus and the documents incorporated by reference herein and the Prospectus Supplement in respect of such offering be translated into French.

CERTAIN INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement will describe certain Canadian federal income tax consequences to investors described therein of acquiring Securities.

INTERESTS OF EXPERTS

Unless otherwise specified in the Prospectus Supplement relating to the Securities, certain legal matters will be passed upon on our behalf by Aird & Berlis LLP with respect to matters of Canadian law. In addition, certain legal matters in connection with an offering and sale of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of such offering and sale by such underwriters, dealers or agents with respect to matters of Canadian and, if applicable, United States or other foreign law. As at the date hereof, the partners and associates of Aird & Berlis LLP, as a group, own less than 1% of the outstanding securities of the Company.

Davidson & Company LLP has prepared an independent auditors' report dated January 28, 2021 in respect of the consolidated financial statements of the Company as at and for the year ended September 30, 2020 and 2019 which are incorporated by reference in this Prospectus. Such firm has confirmed that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent auditor of the Company is Davidson & Company LLP, Chartered Professional Accountants, Vancouver, British Columbia.

The registrar and transfer agent of the Common Shares is Odyssey Trust Company at its principal office in Calgary, Alberta.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

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

In addition to statutory rights of withdrawal and rescission, original purchasers of warrants (if offered separately from other Securities) and Subscription Receipts will have a contractual right of rescission against the Company in respect of the exercise of such warrant or subscription receipt, as the case may be.

The contractual right of rescission will entitle such original purchasers to receive, in addition to the amount paid on original purchase of the warrant or subscription receipt (or units comprised partly thereof), as the case may be, the amount paid upon exercise upon surrender of the underlying securities gained thereby, in the event that this prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the warrant or subscription receipt under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of purchase of the warrant or subscription receipt

under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law.

Original purchasers are further advised that in certain provinces and territories the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the security that was purchased under a prospectus, and therefore a further payment at the time of exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

Purchasers of Securities distributed under an “at-the-market distribution” by the Company do not have the right to withdraw from an agreement to purchase Securities and do not have remedies of rescission or, in some jurisdictions, revisions of the price, or damages for non-delivery of the prospectus, prospectus supplement, and any amendment relating to Securities purchased by such purchaser because the prospectus, prospectus supplement, and any amendment relating to the Securities purchased by such purchaser will not be sent or delivered, as permitted under Part 9 of NI 44-102. Any remedies under securities legislation that a purchaser of Securities distributed under an “at-the-market distribution” by the Company may have against the Company or its agents for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contain a misrepresentation will remain unaffected by the non-delivery of the prospectus referred to above. A purchaser's rights and remedies under applicable securities legislation against the dealer underwriting or acting as an agent for the issuer in an “at-the-market distribution” will not be affected by that dealer's decision to effect the distribution directly or through a selling agent. A purchaser should refer to applicable securities legislation for the particulars of these rights and should consult a legal adviser.

CERTIFICATE OF NEXTLEAF SOLUTIONS LTD.

Dated: November 15, 2021

This Prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) Paul Pedersen
Chief Executive Officer

(Signed) Charles Ackerman
Chief Financial Officer

On behalf of the Board of Directors of
Nextleaf Solutions Ltd.

(Signed) Tim Gillis
Director

(Signed) Fred Bonner
Director