

A copy of this preliminary prospectus has been filed with the securities regulatory authority in each of the provinces and territories of Canada, other than Quebec, but has not yet become final. Information contained in this preliminary prospectus may not be complete and may have to be amended. This preliminary prospectus does not constitute a public offering of securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

PRELIMINARY PROSPECTUS

Non-Offering Prospectus

December 10, 2018

CANNABIS STRATEGIES ACQUISITION CORP.

(in connection with its qualifying transaction with LivFree Wellness, LLC, Washoe Wellness, LLC, The Canopy NV, LLC, Sira Naturals, Inc. and Cannapunch of Nevada LLC)

Cannabis Strategies Acquisition Corp. (“CSAC”) intends to derive a substantial portion of its revenues from the cannabis industry in certain States of the United States, which industry is illegal under United States federal law. CSAC intends to be directly involved (through its licensed subsidiaries) in the cannabis industry in the United States where local State laws permit such activities. Currently, the subsidiaries and managed entities of the target businesses are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Massachusetts and Nevada.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States, marijuana is largely regulated at the State level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and State law, the federal law shall apply.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law, subject to budgetary constraints.

There is no guarantee that State laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of State laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in States where the sale and use of cannabis is currently legal, or if existing applicable State laws are repealed or curtailed, CSAC’s targets’ businesses, results of operations, financial condition and prospects and CSAC would be materially adversely affected. See “*Risk Factors – Risks Related to the Legality of Cannabis*” for additional information on this risk.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the

Canadian Securities Administrators published a staff notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (“Staff Notice 51-352”) setting out the Canadian Securities Administrator’s disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

No securities are being offered pursuant to this prospectus. This prospectus is being filed with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec, by CSAC, which is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario. CSAC was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination involving CSAC that will qualify as its “qualifying transaction”. Since no securities are being sold pursuant to this prospectus, no proceeds will be raised pursuant to this prospectus.

On October 17, 2018, CSAC announced that it had entered into definitive purchase agreements (the “**Definitive Agreements**”) with each of LivFree Wellness, LLC (“**LivFree**”), Washoe Wellness, LLC (“**Washoe**”), The Canopy NV, LLC (“**Canopy**”), Sira Naturals, Inc. (“**Sira**”) and Cannapunch of Nevada LLC (“**Cannapunch**”) and/or, *inter alios*, their respective equity holders (collectively, the “**Target Businesses**” or the “**Anchor Portfolio**”) pursuant to which, among other things, CSAC shall acquire, directly or indirectly, all of the equity and/or assets of the Target Businesses (collectively, the “**Transaction**”). The Transaction constitutes CSAC’s qualifying transaction.

Washoe is a vertically-integrated cultivator, producer and distributor of cannabis in northern Nevada, focused in Reno in Washoe County and distributing to Las Vegas. Washoe specializes in producing a full spectrum of premium, quality cannabis-based products. Washoe is licensed to possess, cultivate, process, and dispense medical and adult-use cannabis throughout Nevada. Washoe began medical sales in the first quarter of 2016 and recreational sales in the third quarter of 2017.

LivFree operates three dispensaries in the state of Nevada: one in Clark County, one in Henderson and one in Reno. In addition, LivFree is separately licensed to operate four additional facilities (two production facilities and two cultivation facilities). LivFree’s dispensaries opened in 2016. There will be no impact on the status of the LivFree licenses until the parameters, terms and structure of this transaction are approved by the State of Nevada and all applicable authorities.

Canopy operates two dispensaries in the city of Reno, Nevada: one in downtown Reno, adjacent to the casino-resort corridor, and a second in the North Valleys. Both are under the MYNT brand, which was named Best Dispensary in Reno in 2018. The first dispensary, in downtown Reno, opened for medical sales in the first quarter of 2017, with adult-use recreational sales following in the third quarter of 2017. Adult-use recreational sales for the North Valleys location began in third quarter of 2018. Canopy is licensed to sell both medical and adult-use cannabis in Nevada.

Sira is a vertically-integrated producer and seller of medical cannabis and related products in Massachusetts. Sira was among the earliest recipients of provisional licenses to cultivate, manufacture, transport and sell medical marijuana in Massachusetts, and is consistently cited as a best-in-class operator in the state. Sira has since received final licenses in respect of all of its operations in the medical marijuana market. Sira has also secured final licenses to cultivate, manufacture and transport cannabis and cannabis products for adult-use purposes in Massachusetts and intends to apply for licenses to operate adult-use cannabis retail establishments. Products include cannabis and cannabis products, including oil, edibles, and vaporizer products.

CannaPunch is a manufacturer and distributor of cannabis-infused products in Nevada. The CSAC purchase entitles CSAC to the rights to the CannaPunch suite of brands across the U.S. outside of Colorado. CannaPunch’s key brands include CannaPunch (beverages), Highly Edible (gummies), Dutch Girl (edibles), Nordic Goddess (topical salve), and Tumbleweed (oil and other extracts). CannaPunch is licensed under State law to manufacture cannabis products in Nevada.

This prospectus is being filed in accordance with the NEO Exchange Listing Manual in connection with the completion of CSAC's qualifying transaction. Unless otherwise indicated, this prospectus has been prepared assuming that the Transaction has been completed.

Existing shareholders of CSAC who do not redeem their shares will continue to hold an interest in CSAC after giving effect to the Transaction. In connection with the Transaction, CSAC intends to change its name to a name to be selected by its board of directors as part of its intended continuance into British Columbia, and also intends to amend its financial year-end from September 30 to December 31. Following closing, CSAC will own 100% of the Target Businesses, subject to the terms of the Definitive Agreements. See "*Description of the Business of CSAC*".

CSAC's Class A restricted voting shares (the "**CSAC Class A Restricted Voting Shares**") are currently listed for trading on The Aequitas NEO Exchange Inc. (the "**NEO Exchange**") under the symbol "CSA.A". The closing price of the CSAC Class A Restricted Voting Shares on the NEO Exchange on October 17, 2018, the last trading day before the Definitive Agreements were announced, was C\$11.49. The closing price of the CSAC Class A Restricted Voting Shares on the NEO Exchange on December 7, 2018 was C\$15.94. The share purchase warrants of CSAC (the "**CSAC Warrants**") are also currently listed for trading on the NEO Exchange under the symbol "CSA.WT". The closing price of the CSAC Warrants on October 17, 2018, the last trading day before the Definitive Agreements were announced, was C\$2.75. The closing price of the CSAC Warrants on December 7, 2018 was C\$4.16. The rights of CSAC (the "**CSAC Rights**") are also currently listed for trading on the NEO Exchange under the symbol "CSA.RT". The closing price of the CSAC Rights on October 17, 2018, the last trading day before the Definitive Agreements were announced, was C\$1.00. The closing price of the CSAC Rights on December 7, 2018 was C\$1.81. The completion of the Transaction is conditional upon, among other things, approval by the NEO Exchange.

An investment in CSAC is subject to a number of risks that should be carefully considered by investors. In reviewing this prospectus, an investor should carefully consider the matters described under the heading "*Risk Factors*".

As the Transaction constitutes CSAC's proposed qualifying transaction, holders of CSAC Class A Restricted Voting Shares can elect to redeem (conditional on closing) all or a portion of their CSAC Class A Restricted Voting Shares, whether they vote for or against, or do not vote on, the Transaction, provided that they deposit (and do not validly withdraw) their CSAC Class A Restricted Voting Shares for redemption prior to the Redemption Deadline (as defined herein).

A redeeming CSAC Shareholder (as defined herein) is entitled (conditional on closing) to receive an amount per CSAC Class A Restricted Voting Share, payable in cash, equal to the pro-rata portion (per CSAC Class A Restricted Voting Share) of: (A) the escrowed funds available in the CSAC's escrow account at the time of the meeting of the CSAC Shareholders at which the Transaction is approved, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by CSAC on such interest and other amounts earned in the escrow account, and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by CSAC. For greater certainty, such amount will not be reduced by the amount of any tax of CSAC under Part VI.1 of the Tax Act (as defined herein) or the deferred underwriting commissions per CSAC Class A Restricted Voting Share held in escrow. This redemption amount is anticipated to be C\$10.03 per CSAC Class A Restricted Voting Share, assuming a February 28, 2019 redemption date.

Original purchasers of CSAC Class A Restricted Voting Shares and/or CSAC Warrants and/or CSAC Rights from the underwriters in CSAC's initial public offering may have a contractual right of action for rescission or damages against CSAC and certain other persons. See "*Contractual Right of Action*".

This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities. No underwriters have been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of this prospectus.

CSAC Shareholders should be aware that the acquisition, holding and disposition of the securities described in this prospectus may have tax consequences in Canada, the United States and elsewhere depending on each particular shareholder's specific circumstances. CSAC Shareholders should consult their own tax advisors with respect to such tax considerations. See "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

The registered office of CSAC is currently located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L1B9, and is expected to be moved to 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of CSAC will be located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

Increasingly, Canadian public companies with U.S. cannabis businesses that are going public in Canada are using multiple voting share structures. CSAC would like to ensure that Mercer, CSAC's sponsor, is able to continue to build CSAC's business during the current and expected future volatile period in the industry. Accordingly, CSAC, the CSAC Founders (as defined herein) and the sellers pursuant to the Definitive Agreements are in discussions regarding proposed amendments to the proposed transactions that would lead Mercer and the other CSAC Founders to have the right, immediately prior to the closing of the Transaction, to have a one-time option to convert their existing CSAC Class B Shares (as defined herein) on a one-for-one basis into new multiple voting shares of CSAC (the "Multiple Voting Shares"). Mercer would plan to so convert its CSAC Class B Shares, as may the other CSAC Founders in their discretion, and that right would then expire and so would no longer be available to subsequent holders of CSAC Class B Shares, which would have their terms amended and be re-named as subordinate voting shares of CSAC (the "Subordinate Voting Shares"). Upon the closing of the Transaction, any non-redeemed CSAC Class A Restricted Voting Shares would be converted into Subordinate Voting Shares. This proposal, if implemented, would likely require additional CSAC Shareholder votes, including majority of minority approval by a majority of votes cast by the holders of CSAC Class A Restricted Voting Shares, excluding any votes attached to CSAC Class A Restricted Voting Shares held directly or indirectly by persons who also hold CSAC Class B Shares. In addition, (i) customary coat-tail arrangements would be entered into, as further described in this prospectus, and (ii) the Multiple Voting Shares would be subject to a five-year sunset provision. See "*Description of Securities – Multiple Voting Share Proposal*" for a description of the proposal.

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GLOSSARY OF TERMS

“**10% U.S. Shareholder**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Effects of Code Section 367(b) upon the Conversion*”;

“**2014 Cole Memorandum**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**2014 Farm Bill**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**2018 Farm Bill**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Adjusted EBITDA**” has the meaning ascribed to it under the heading “*Narrative Description of the Business of CSAC – Definition and Reconciliation of Non-IFRS Measures*”;

“**Advance Notice Provisions**” has the meaning ascribed to it under the heading “*Description of Securities – Advance Notice Requirements for Director Nominations*”;

“**Affiliate**” has the meaning ascribed to it in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators;

“**All E&P Amount**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Effects of Code Section 367(b) upon the Conversion*”;

“**allowable capital loss**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*”;

“**Anchor Portfolio**” means collectively, LivFree, Washoe, Canopy, Sira and Cannapunch;

“**Ancillary Rights**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – General*”;

“**Applicable Securities Regulators**” has the meaning ascribed to it under the heading “*Securities Laws Exemptions*”;

“**Audit Committee**” has the meaning ascribed to it under the heading “*Audit Committee*”;

“**Automatic Exchange Right**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Automatic Exchange Right on Liquidation of CSAC*”;

“**Awards**” has the meaning ascribed to it under the heading “*Equity Incentive Plan Description – Summary of Equity Incentive Plan*”;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as it may be amended from time to time;

“**C&CG Committee**” means the Compensation and Corporate Governance Committee of CSAC;

“**Call Rights**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – General*”;

“**Canada-U.S. Tax Convention**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Non-Residents of Canada – Taxation of Dividends Received*”;

“**Cannapunch**” means Cannapunch of Nevada LLC, a limited liability company governed under the laws of the State of Nevada;

“**Cannapunch Agreement**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements*”;

“**Cannapunch Consents**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Cannapunch Agreement*”;

“**Cannapunch NewCo**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Cannapunch Agreement*”;

“**Cannapunch Promissory Note**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Cannapunch Agreement*”;

“**Cannapunch Reorganization**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Cannapunch Agreement*”;

“**Canopy**” means The Canopy NV, LLC, a limited liability company governed under the laws of the State of Nevada;

“**Canopy Agreement**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements*”;

“**Canopy Consents**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Canopy Agreement*”;

“**Canopy NewCo**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Canopy Agreement*”;

“**Canopy Reorganization**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Canopy Agreement*”;

“**Canopy Promissory Note**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Canopy Agreement*”;

“**Canopy Target Businesses**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Canopy Agreement*”;

“**Cashless Exercise**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Warrant Agreement*”;

“**CBD**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Use of Cannabis*”;

“**CBP**” has the meaning ascribed to it under the heading “*Risk Factors – Risks Related to Legality of Cannabis*”;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Coattail Agreement**” has the meaning ascribed to it under the heading “*Description of Securities – Multiple Voting Share Proposal*”;

“**Closing Price**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Canopy Agreement*”;

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

“**Cole Memorandum**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Community Host Agreement**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview – Municipal Involvement*”;

“**Compliance Provisions**” has the meaning ascribed to it under the heading “*Description of Securities – Compliance Provisions*”;

“**Control Transaction**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Rights*”;

“**Conversion**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations*”;

“**CSAC**” means Cannabis Strategies Acquisition Corp., and after giving effect to the Transaction and the transactions contemplated thereby, means the resulting issuer of the Transaction, which is intended to be renamed to a name to be selected by its board of directors and continued into British Columbia, and shall include, when appropriate, its subsidiaries from time to time;

“**CSAC AcquisitionCo**” means CSAC Acquisition Inc., a wholly-owned subsidiary of CSAC, incorporated under the laws of Nevada;

“**CSAC Audited Annual Financial Statements**” means the audited financial statements of CSAC as of and for the year ended September 30, 2018, together with the notes thereto and the auditors’ report thereon, and attached to this prospectus as Appendix A;

“**CSAC Circular**” means the management information circular to be mailed to CSAC Shareholders in connection with the CSAC Meeting;

“**CSAC Class A Restricted Voting Shares**” means the Class A restricted voting shares in the capital of CSAC, and each a “**CSAC Class A Restricted Voting Share**”;

“**CSAC Class A Restricted Voting Units**” means the Class A restricted voting units offered to the public under CSAC’s initial public offering at an offering price of C\$10.00 per CSAC Class A Restricted Voting Unit, each comprised of one CSAC Class A Restricted Voting Share, one CSAC Warrant and one CSAC Right, and each a “**CSAC Class A Restricted Voting Unit**”;

“**CSAC Class B Shares**” means the Class B shares in the capital of CSAC (and for greater certainty, includes the CSAC Founders’ Shares), and each a “**CSAC Class B Share**”;

“**CSAC Class B Units**” means the Class B units of CSAC, each comprised of one CSAC Class B Share, one CSAC Warrant and one CSAC Right, and each a “**CSAC Class B Unit**”;

“**CSAC directors**” has the meaning ascribed to it under the heading “*Contractual Right of Action*”;

“**CSAC Founders**” means, collectively, Mercer, Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them), as the collective holders of the CSAC Founders’ Shares and of the CSAC Founders’ Warrants (each as defined herein);

“**CSAC Founders’ Shares**” means the Class B shares in the capital of CSAC issued to the CSAC Founders (other than as part of the CSAC Class B Units), and each a “**CSAC Founders’ Share**”;

“**CSAC Founders’ Warrants**” means the share purchase warrants in the capital of CSAC issued to Mercer, and each a “**CSAC Founders’ Warrant**”;

“**CSAC Meeting**” means the special meeting of shareholders of CSAC to be held to vote on the Transaction;

“**CSAC Rights**” means, collectively, (A) the 13,475,000 rights underlying the CSAC Class A Restricted Voting Units and (B) the 262,188 rights underlying the CSAC Class B Units issued to the CSAC Founders, to receive upon exercise, for no additional consideration, one-tenth (1/10) of one CSAC Class A Restricted Voting Share following

the closing of the Transaction (which at such time will represent one-tenth (1/10) of a CSAC Class B Share), subject to adjustment under the terms of the Transaction as further described under the heading “*The Transaction*”, and each a “**CSAC Right**”;

“**CSAC Shareholders**” means the registered or beneficial holders of the CSAC Class A Restricted Voting Shares and the CSAC Class B Shares, as the context requires;

“**CSAC Warrants**” means, collectively, (A) the 13,475,000 share purchase warrants underlying the CSAC Class A Restricted Voting Units, (B) the 2,621,870 CSAC Founders’ Warrants and (C) the 262,188 share purchase warrants underlying the CSAC Class B Units, each of which having been issued under the Warrant Agreement and in respect of which, 65 days following the completion of the Transaction, will each entitle the holder thereof to purchase one Resulting Issuer Share at a price of C\$11.50, and each a “**CSAC Warrant**”;

“**CSAC Warrant Holders**” means the holders of the CSAC Warrants, and each, a “**CSAC Warrant Holder**”;

“**DEA**” has the meaning ascribed to it under the heading “*Risk Factors – Risks Related to Legality of Cannabis – Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect CSAC’s business*”;

“**Deemed Dividend Election**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Effects of Code Section 367(b) upon the Conversion*”;

“**Definitive Agreements**” means the definitive purchase agreements between CSAC and the Target Businesses and/or their equity holders relating to the Transaction, as they may each be amended, supplemented or otherwise modified from time to time, and each, a “**Definitive Agreement**”;

“**Diluted Basis**” shall mean the aggregate Resulting Issuer Shares issued and outstanding, including the Resulting Issuer Shares issuable on exchange of the Exchangeable Shares and on exchange of the CSAC Warrants, excluding the Cashless Exercise, and the Resulting Issuer Shares issuable on the conversion of the CSAC Rights, provided in the case of the CSAC Warrants, they are not determined to be “out of the money” by the Resulting Issuer Board;

“**DOJ**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Effective Date**” means the closing date of the Transaction;

“**Effective Time**” means 9:01 a.m. (Toronto time) on the Effective Date, or such other time as CSAC and the Target Businesses agree to in writing before the Effective Date;

“**Equity Incentive Plan**” means the new equity incentive plan to be approved by CSAC Shareholders at the CSAC Meeting and adopted by CSAC;

“**Exchangeable Share Consideration**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Ranking and Liquidation Rights*”;

“**Exchangeable Share Provisions**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Grant of Exchange Rights*”;

“**Exchangeable Shareholder Put Event**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Grant of Exchange Rights*”;

“**Exchangeable Shareholders’ Put Right**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Grant of Exchange Rights*”;

“**Exchange Rights Agreements**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Exchangeable Share Procedures*”;

“**Exchangeable Shares**” means the shares of Class B common stock of CSAC AcquisitionCo, which, pursuant to the Exchange Rights Agreements, are exchangeable on a one-for-one basis into CSAC Class B Shares;

“**Exchangeable Shareholders**” means the holders of the Exchangeable Shares;

“**Exchanged Shares**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Grant of Exchange Rights*”;

“**Extraordinary Dividends**” means any dividend paid by CSAC, together with all other dividends payable by CSAC in the same calendar year, that has an aggregate absolute dollar value which is greater than C\$0.25 per share, with the adjustment to the applicable price, if applicable, being a reduction equal to the amount of the excess;

“**FATCA**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences to Non-U.S. Holders of Holding and Disposing of CSAC Class B Shares – Foreign Account Tax Compliance Act*”;

“**FDA**” has the meaning ascribed to it under the heading “*Risk Factors – Risks Related to Legality of Cannabis – Regulatory scrutiny of CSAC’s industry may negatively impact its ability to raise additional capital*”;

“**FDCA**” has the meaning ascribed to it under the heading “*Risk Factors – Risks Related to Legality of Cannabis – Regulatory action and approvals from the U.S. Food and Drug Administration*”;

“**FinCEN**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**FinCEN Memorandum**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Forfeiture and Transfer Restrictions Agreement and Undertaking**” means the forfeiture and transfer restrictions agreement and undertaking dated December 14, 2017, entered into by each of the CSAC Founders in favour of CSAC and Canaccord Genuity Corp., as amended;

“**forward-looking information**” has the meaning ascribed to it under the heading “*Management’s Discussion and Analysis of The Target Businesses – Caution Regarding Forward-Looking Statements*”;

“**forward-looking statements**” has the meaning ascribed to it under the heading “*Caution Regarding Forward-Looking Statements*”;

“**GP Lender**” has the meaning ascribed to it under the heading “*Corporate Structure – CSAC – Target Promissory Notes*”;

“**Guidelines**” has the meaning ascribed to it under the heading “*Corporate Governance – Statement of Corporate Governance Practices*”;

“**Holder**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations*”;

“**IFRS**” means the International Financial Reporting Standards, as issued by the International Accounting Standards Board;

“**Insolvency Event**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Rights*”;

“**Inventory Payment**” has the meaning ascribed to it under the heading “*Corporate Structure – Sira Agreement*”;

“**IRS**” means the U.S. Internal Revenue Service;

“**ISOs**” has the meaning ascribed to it under the heading “*Equity Incentive Plan Description – Summary of Equity Incentive Plan*”;

“**Later Redemption Date**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Call Right*”;

“**Liquidation Amount**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Ranking and Liquidation Rights*”;

“**Liquidation Call Purchase Price**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Liquidation Call Right*”;

“**Liquidation Call Right**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Liquidation Call Right*”;

“**Liquidation Date**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Ranking and Liquidation Rights*”;

“**Liquidation Event**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Automatic Exchange Right on Liquidation of CSAC*”;

“**Liquidation Event Effective Date**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Automatic Exchange Right on Liquidation of CSAC*”;

“**LivFree**” means LivFree Wellness, LLC, a limited liability company governed under the laws of the State of Nevada;

“**LivFree Agreement**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements*”;

“**LivFree Consents**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – LivFree Agreement*”;

“**LivFree NewCo**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – LivFree Agreement*”;

“**LivFree Promissory Note**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – LivFree Agreement*”;

“**LivFree Reorganization**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – LivFree Agreement*”;

“**MA**” means the State of Massachusetts;

“**MA CCC**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview – Regulatory Agencies*”;

“**MA DPH**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview – Regulatory Agencies*”;

“**Marijuana Establishments**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview – Licensing Requirements*”;

“**Mark-to-Market**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Passive Foreign Investment Company Considerations in Connection with the Conversion*”;

“**Medical Act**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview*”;

“**Mercer**” means Mercer Park CB, L.P., a limited partnership formed under the laws of the State of Delaware, and CSAC’s sponsor;

“**MJ Freeway**” means MJ Freeway Business Solutions;

“**Multiple Voting Shares**” has the meaning ascribed to it on the cover page hereto;

“**NEO**” means a Named Executive Officer, as such term is defined in Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* under NI 51-102;

“**NEO Exchange**” means The Aequitas NEO Exchange Inc.;

“**NEO Exchange Policies**” means the rules and policies of the NEO Exchange in effect from time to time;

“**Nevada Taxation Division**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Nevada State Level Overview*”;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*;

“**NI 52-109**” means National Instrument 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim Filings*;

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

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

“**NI 62-104**” means National Instrument 62-104 – *Take-Over Bids and Special Transactions*;

“**NP 58-201**” means National Policy 58-201 – *Corporate Governance Guidelines*;

“**NQSO**” has the meaning ascribed to it under the heading “*Equity Incentive Plan Description – Purpose*”;

“**Nominating Shareholder**” has the meaning ascribed to it under the heading “*Description of Securities – Advance Notice Requirements for Director Nominations*”;

“**Non-Electing Shareholder**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Passive Foreign Investment Company Considerations in Connection with the Conversion*”;

“**Non-Resident Holder**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada*”;

“**Non-U.S. Holder**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations*”;

“**Notice Date**” has the meaning ascribed to it under the heading “*Description of Securities – Advance Notice Requirements for Director Nominations*”;

“**NV**” means the State of Nevada;

“**OBCA**” means the *Business Corporations Act* (Ontario), as it may be amended from time to time;

“**Options**” has the meaning ascribed to it under the heading “*Equity Incentive Plan Description – Purpose*”;

“**OSC**” means the Ontario Securities Commission;

“**Owning and Controlling**” has the meaning ascribed to it under the heading “*Description of Securities – Compliance Provisions*”;

“**Participants**” has the meaning ascribed to it under the heading “*Equity Incentive Plan Description – Eligibility*”;

“**PFIC**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Passive Foreign Investment Company Considerations in Connection with the Conversion*”;

“**Programs and Policies**” has the meaning ascribed to it under the heading “*Notice to Readers*”;

“**QEF**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Passive Foreign Investment Company Considerations in Connection with the Conversion*”;

“**QEF Election**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Passive Foreign Investment Company Considerations in Connection with the Conversion*”;

“**Qualified Institutional Buyer**” has the meaning ascribed to it in the Securities and Exchange Commission’s Rule 501 of Regulation D;

“**QuickBooks Reports**” has the meaning ascribed to it under the heading “*Securities Law Exemptions*”;

“**RDSP**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*”;

“**Recapitalization**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC Class A Restricted Voting Shares to CSAC Class B Shares*”;

“**Redemption Call Purchase Price**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Call Right*”;

“**Redemption Call Right**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Call Right*”;

“**Redemption Deadline**” means 5:00 p.m. (Toronto time) on the fifth business day before the meeting of CSAC Shareholders to consider, among other things, the Transaction, or 5:00 p.m. (Toronto time) on the fifth business day before any adjournment(s) or postponement(s) thereof;

“**Redemption Event**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Rights*”;

“**Redemption Notice**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Rights*”;

“**Redemption Price**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Rights*”;

“**Related Person**” has the meaning ascribed to it in the NEO Exchange Policies;

“**RESP**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*”;

“**Reno Cultivation Expansion**” has the meaning ascribed to it under the heading “*Narrative Description of the Business of CSAC – Business Objectives - Organic Growth and Existing Operations*”;

“**Resulting Issuer Board**” means the board of directors of CSAC immediately following the closing of the Transaction;

“**Resulting Issuer Pro Forma Financial Statements**” means the unaudited pro forma financial statements of CSAC, after giving effect to the Transaction, as of and for the nine months and the year ended September 30, 2018, together with the notes thereto, and attached to this prospectus as Appendix T;

“**Resulting Issuer Shareholders**” means the registered or beneficial holders of the Resulting Issuer Shares at the applicable time;

“**Resulting Issuer Shares**” means the Class B shares in the capital of CSAC, following CSAC’s planned continuance into British Columbia, having the terms and conditions set forth in the articles of CSAC;

“**Retraction Call Notice**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Retraction Call Right*”;

“**Retraction Call Right**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Retraction Call Right*”;

“**Retraction Date**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Exchange of Exchangeable Shares for CSAC Class B Shares*”;

“**Retraction Price**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Exchange of Exchangeable Shares for CSAC Class B Shares*”;

“**Retraction Request**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Exchange of Exchangeable Shares for CSAC Class B Shares*”;

“**Retracted Shares**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Exchange of Exchangeable Shares for CSAC Class B Shares*”;

“**Rights Agent**” means Odyssey Trust Company, in its capacity as rights agent in respect of the Rights Agreement;

“**Rights Agreement**” means the rights agreement between CSAC and Odyssey Trust Company, as rights agent, dated December 21, 2017, as it may be amended from time to time;

“**RMDs**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview – Licensing Requirements*”;

“**Rohrabacher-Blumenauer Amendment**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Rohrabacher-Leahy Amendment**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**RRIF**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*”;

“**RRSP**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*”;

“**RSUs**” has the meaning ascribed to it under the heading “*Equity Incentive Plan Description – Purpose*”;

“**SBS**” has the meaning described to it under the heading “*Directors and Executive Officers – Other Members of Our Board of Directors*”;

“**Securities**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations*”;

“**Section 367(b) Notice**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations – Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares – Conversion of CSAC into a U.S. Domestic Corporation – Required Notices Under Code Section 367(b)*”;

“**Sessions Memorandum**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Shareholder Redemption Notice**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Redemption Rights*”;

“**signatories**” has the meaning ascribed to it under the heading “*Contractual Right of Action*”;

“**Sira**” means Sira Naturals, Inc., a corporation governed under the laws of the State of Massachusetts;

“**Sira Agreement**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements*”;

“**Sira New Grow Facility**” means Sira’s planned cannabis cultivation facility to be constructed and developed in Milford, MA with at least 80,000 square feet of cultivation space;

“**Sira Promissory Note**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Sira Agreement*”;

“**SPAC**” has the meaning ascribed to it under the heading “*Notice to Readers*”;

“**Staff Notice 51-352**” has the meaning ascribed to it on the cover page hereto;

“**State**” means a state of the United States, as the context requires;

“**Subordinate Voting Shares**” has the meaning ascribed to it on the cover page hereto;

“**Substances Act**” has the meaning ascribed to it under the heading “*Cannabis Market Overview*”;

“**Support Agreement**” means the support agreement to be entered into among CSAC, CSAC AcquisitionCo and the Exchangeable Shareholders in connection with the Transaction;

“**Target Businesses**” means, collectively, LivFree, Washoe, Canopy, Sira and Cannapunch, and each, a “**Target Business**”;

“**Target Businesses’ Audited Financial Statements**” means the audited consolidated financial statements of (i) Washoe and Sira as of and for the years ended December 31, 2017, 2016 and 2015, and, together with the notes thereto and the auditors’ report thereon, (ii) Canopy as of and for the year ended December 31, 2017 and for the period from April 1, 2016 (inception date) to December 31, 2016, (iii) LivFree as of and for the nine months ended September 30, 2018 and the year ended December 31, 2017, and (iv) CannaPunch as of and for the period from March 30, 2017 (inception date) to December 31, 2017, and attached to this prospectus as Appendix C, Appendix D, Appendix G, Appendix J, Appendix M and Appendix P, respectively;

“**Target Businesses’ Interim Financial Statements**” means the unaudited condensed consolidated interim financial statements of the Target Businesses as of and for the three and nine months ended September 30, 2018 and 2017, together with the notes thereto, and attached to this prospectus as Appendix E, Appendix H, Appendix K, Appendix N, Appendix Q, respectively;

“**Target Promissory Notes**” means, collectively, the Sira Promissory Note, Canopy Promissory Note, Washoe Promissory Note, LivFree Promissory Note and Cannapunch Promissory Note, and each, a “**Target Promissory Note**”;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time, including the regulations thereunder;

“**Tax Proposals**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations*”;

“**taxable capital gain**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*”;

“**TFSA**” has the meaning ascribed to it under the heading “*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*”;

“**THC**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Use of Cannabis*”;

“**TMX MOU**” has the meaning ascribed to it under the heading “*Risk Factors – Risks Related to Legality of Cannabis – CSAC’s operations in the U.S. cannabis market may become the subject of heightened scrutiny*”;

“**Transaction**” has the meaning ascribed to it on the cover page hereto;

“**Transfer Restrictions Agreement and Undertaking**” has the meaning ascribed to it under the heading “*Securities Subject to Contractual Restriction on Transfer – CSAC Founders’ Shares*”;

“**Treasury Regulations**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations*”;

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

“**Unsuitable Person**” has the meaning ascribed to it under the heading “*Description of Securities – Compliance Provisions*”;

“**U.S. Holder**” has the meaning ascribed to it under the heading “*Certain United States Federal Income Tax Considerations*” or under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Ranking and Liquidation Rights*”, as the context applies;

“**U.S. Resident**” has the meaning ascribed to it under the heading “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Ranking and Liquidation Rights*”;

“**USAM**” has the meaning ascribed to it under the heading “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”;

“**Warrant Agent**” means Odyssey Trust Company, in its capacity as warrant agent in respect of the Warrant Agreement;

“**Warrant Agreement**” means the warrant agency agreement between CSAC and Odyssey Trust Company, as warrant agent, dated December 21, 2017, as it may be amended from time to time;

“**Washoe**” means Washoe Wellness, LLC, a limited liability company governed under the laws of the State of Nevada;

“**Washoe Agreement**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements*”;

“**Washoe Consents**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Washoe Agreement*”;

“**Washoe Lender**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Washoe Agreement*”;

“**Washoe NewCo**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Washoe Agreement*”;

“**Washoe Promissory Note**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Washoe Agreement*”; and

“**Washoe Reorganization**” has the meaning ascribed to it under the heading “*Corporate Structure – Definitive Agreements – Washoe Agreement*”.

PROSPECTUS SUMMARY

The following is a summary of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

Unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “\$” or “US\$” are to United States dollars. References to “C\$” are to Canadian dollars.

CSAC

CSAC is a special purpose acquisition corporation that was incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving CSAC, which is referred to throughout this prospectus as CSAC’s “qualifying transaction”.

CSAC’s sponsor, Mercer, is a limited partnership of which Mercer Park CB GP, LLC is the general partner, and which is indirectly controlled by Jonathan Sandelman. Mercer is a privately-held family office based in New York, New York, the executive leadership and entrepreneurial expertise, investment and deal experience and network of which have been a critical component of CSAC’s identification and consummation process in respect of the Transaction.

On October 17, 2018, CSAC announced that it had entered into the Definitive Agreements to acquire the Target Businesses. These acquisitions are intended to collectively constitute CSAC’s “qualifying transaction”. Subject to obtaining certain approvals and the satisfaction of certain conditions stipulated therein, it is anticipated that these acquisitions will be completed in early 2019.

In connection with the Transaction, CSAC intends to change its name as part of its intended continuance from the laws of Ontario to the laws of British Columbia under the BCBCA, and also intends to amend its financial year-end from September 30 to December 31. The post-closing head office of CSAC will be located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

See “*Corporate Structure – Cannabis Strategies Acquisition Corp.*”.

Definitive Agreements

On October 17, 2018, CSAC and its wholly-owned subsidiary, CSAC AcquisitionCo, entered into the following Definitive Agreements to acquire the Target Businesses:

- Equity Exchange Agreement dated as of October 17, 2018, among Green Partners Investor LLC and Green Partners Sponsor I, LLC as the shareholders of Sira, Louis Karger as sellers’ representative, Sira, CSAC AcquisitionCo and CSAC;
- Asset Purchase Agreement dated as of October 17, 2018, among Canopy, Lemon Aide, LLC, Kynd-Strainz, LLC, CSAC AcquisitionCo and CSAC;
- Equity Purchase Agreement dated as of October 17, 2018, among the members of Washoe, Mark Pitchford as sellers’ representative, Washoe, CSAC AcquisitionCo and CSAC;
- Equity Purchase Agreement, dated as of October 17, 2018, among the members of LivFree, Steve Menzies as sellers’ representative, LivFree, CSAC AcquisitionCo and CSAC; and
- Equity Purchase Agreement dated as of October 17, 2018, among Mark Smith and Daniel Griffin as the members of Cannapunch, Cannapunch, Mark Smith as sellers’ representative, CSAC AcquisitionCo and CSAC.

The description of the Definitive Agreements, both below and elsewhere in this prospectus (see “*Corporate*

Structure – Definitive Agreements”), is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on CSAC’s profile on SEDAR at www.sedar.com.

Cannabis Market Overview

The legalization and regulation of marijuana for medical use is being implemented at the State level in the United States. **State laws regulating cannabis are in direct conflict with the federal Substances Act, which makes cannabis use and possession federally illegal. Although certain States and territories of the U.S. authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the Substances Act. Although the Target Businesses’ activities are compliant with applicable United States State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve CSAC of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against CSAC.** The risk of federal enforcement and other risks associated with CSAC’s business are described under “*Risk Factors*”.

As of September 30, 2018, the date of the Target Business Interim Financial Statements, 100% of each of the Target Businesses’ businesses was directly derived from U.S. cannabis-related activities, based on the existing operations of each of the Target Businesses. As such, each of the Target Businesses’ balance sheet and operating statement exposure to U.S. cannabis related activities is 100%.

See “*Cannabis Market Overview*” for further details on the legal and regulatory environment of the cannabis market.

The Business of the Target Businesses

Target Business	Key Assets	Description
Washoe	1 Cultivation / Production Facility	Washoe is a vertically-integrated cultivator, producer and distributor of cannabis in northern Nevada, focused in Reno in Washoe County and distributing to Las Vegas. Washoe specializes in producing a full spectrum of premium, quality cannabis-based products, including cannabis flower, plant material, concentrates, edibles and topical products through efficient & compliant cultivation, extraction and manufacturing processes. Washoe’s products include premium cannabis flower, pre-rolls, and a full line of vape pens, disposable vape pens, concentrates, edibles, topicals, and tinctures, all made from quality cannabis oil, derived from over 30 different strains of premium THC and CBD cannabis. Washoe is licensed to possess, cultivate, process, and dispense medical and adult-use cannabis throughout Nevada via its well-established KYND brands and through a licensing deal with the recognizable brand, Willies Reserve. Washoe began medical sales in the first quarter of 2016 and recreational sales in the third quarter of 2017.
LivFree	3 Dispensaries 4 Cultivation / Production Facilities (licensed but not operating)	LivFree operates three dispensaries in the State of Nevada: one in Clark County, one in Henderson and one in Reno. In addition, LivFree is separately licensed to operate four additional facilities (two production facilities and two cultivation facilities). LivFree’s dispensaries opened in 2016. There will be no impact on the status of the LivFree licenses until the parameters, terms and structure of this transaction is approved by the State of Nevada and all applicable authorities.
Canopy	2 Dispensaries	Canopy operates two dispensaries in the city of Reno, Nevada: one in downtown Reno, adjacent to the casino-resort corridor, and a second in

the North Valleys. Both are under the MYNT brand, which was named Best Dispensary in Reno in 2018. The first dispensary, in downtown Reno, opened for medical sales in the first quarter of 2017, with adult-use recreational sales following in the third quarter of 2017. Adult-use recreational sales for the North Valleys location began in the third quarter of 2018. Canopy is licensed to sell both medical and adult-use cannabis in Nevada.

Sira	3 Dispensaries 1 Cultivation / Production Facility	Sira is a vertically-integrated producer and seller of medical cannabis and related products in Massachusetts. Sira was among the earliest recipients of licenses to cultivate, manufacture, transport and sell medical marijuana in Massachusetts, and is consistently cited as a best-in-class operator in the state. Sira has also secured licenses to cultivate, manufacturing and transport cannabis and cannabis products for adult-use purposes in Massachusetts and intends to apply for licenses to operate adult-use cannabis retail establishments. Sira’s products include cannabis and cannabis products, including oil, edibles, and vaporizer products.
CannaPunch	1 Production Facility Multiple Brands and Licenses	CannaPunch is a manufacturer and distributor of cannabis-infused products in Nevada and Colorado, and the CSAC purchase entitles CSAC to the rights to the CannaPunch suite of brands across the U.S. outside of Colorado. CannaPunch’s key brands include CannaPunch (beverages), Highly Edible (gummies), Dutch Girl (edibles), Nordic Goddess (topical salve), and Tumbleweed (oil and other extracts). CannaPunch is licensed to manufacture cannabis products in Nevada.

See “*The Business of the Target Businesses*” for a business overview of each of the Target Businesses.

Narrative Description of the Business of CSAC – Company Overview

CSAC, after the Transaction, will be a leading vertically-integrated cannabis company in the United States focused on recreational and wellness applications, with an initial anchor portfolio of high quality vertically-integrated operations in the Eastern and Western United States¹. The Anchor Portfolio was assembled based on anticipated 2018 profitability and strength of the resulting platform for future growth, with a focus on positive Adjusted EBITDA² and vertical integration in limited license States with large addressable consumer populations.

CSAC’s combined operations will employ over 325 people across three cultivation and production facilities and eight dispensaries across the States of Nevada and Massachusetts. CSAC’s post-closing operations, which will be made up of the existing operations of each of the Target Businesses, will be led by proven operators with deep talent pools and expertise to contribute to CSAC’s future growth.

CSAC’s executive team comprises proven leaders in marketing, healthcare, operations and finance, areas essential for the future success of CSAC.

Chief Executive Officer, Jonathan Sandelman

Mr. Sandelman is a 30-year veteran of banking and finance, with a history of generating shareholder value. He served as President of Bank of America Securities after building its capital markets businesses through the early 2000s, building Bank of America beyond its roots as a consumer and corporate lender, and subsequently founded and served as Chief Executive Officer of the multi-billion dollar asset manager Sandelman Partners, LP.

¹ Subject to receipt of all necessary State and local regulatory approvals in Nevada and Massachusetts.

² See “*Narrative Description of the Business - Definition and Reconciliation of Non-IFRS Measures*”.

Executive Vice Chairman, Mark Smith

Starting in 2014 with the legalization of cannabis in Colorado, Mr. Smith has proven himself a world-class cannabis operator. Mr. Smith built a large network of Colorado dispensaries (Tumbleweed), as well as a line of premier edibles and concentrates brands and leading manufacturing capabilities in the Western United States.

Chief Commercial Officer, Chris Burggraeve

Mr. Burggraeve is an award winning global business marketer and active cannabis entrepreneur. He has over 30 years of global marketing experience at Proctor and Gamble Company, the Coca Cola Company, and Anheuser-Busch InBev SA/NV, where he was global Chief Marketing Officer. Mr. Burggraeve has also served as a board member and as the President of the World Federation of Advertisers.

Chief Operating Officer, Jennifer Drake

Ms. Drake is a proven business leader in the contexts of both large blue chip institutions and of lean start-ups. A former Managing Director at Goldman Sachs with extensive M&A experience, Ms. Drake institutionalized the businesses of several multi-billion dollar asset management firms, including spin-offs from Brevan Howard Asset Management and Orix USA/Mariner Investment Group, ensuring compliance with complex regulatory frameworks and creating foundations for accelerated growth.

Head of Wellness (focused exclusively on CBD, Health & Pain Indications), Dr. David Shulkin

Dr. Shulkin is a national thought leader on veterans' health and patient-centered care for all Americans. He is a Former Secretary of the Department of Veterans Affairs under President Trump and Undersecretary under President Obama, with a history of leadership in healthcare organizations including the University of Pennsylvania Health System, Temple University Hospital, Beth Israel Medical Center, and the Morristown Medical Center.

See “*Narrative Description of the Business of CSAC - Company Overview*”.

Narrative Description of the Business of CSAC – Business Objectives

CSAC plans to grow its combined post-closing operations by continuing to apply its established approach to the acquisition of individual cannabis-related operations with attractive economic profiles on a standalone basis or to be integrated with the existing CSAC businesses. CSAC plans to augment these efforts with its branding and wellness activities, building recognizable consumer-facing brands and bringing to bear its significant product development expertise on a foundation of robust research.

Acquisitions

CSAC anticipates growing its Anchor Portfolio through acquisitions following the closing of the Transaction. Through the process of creating the Anchor Portfolio, CSAC has established a proven process for identifying, diligencing and consummating transactions with attractive, high quality operators, as well as a pipeline of potential future targets.

CSAC intends to seek opportunities to broaden its existing footprint to nearby regions with potential for branding and other synergies, while maintaining a focus on vertical integration in limited license, highly addressable consumer States where recreational cannabis use is currently approved or expected to be approved in the near future. Such acquisitions may be directly “plant-touching” or may be in related businesses whose inclusion within the CSAC portfolio would be accretive to future growth prospects.

Organic Growth and Existing Operations

CSAC expects to have vertically-integrated cultivation, extraction, manufacturing, and distribution capabilities, as well as a portfolio of brands under which it will market its products. CSAC plans to offer a diverse product offering of cannabis and cannabis-infused products, including beverages, edibles, vaporizer cartridges, tinctures and others,

in addition to wholesale offerings of cannabis, cannabis-infused oils and finished products, which will all be subject to strict quality and safety standards.

Branding

CSAC's branding strategy is expected to focus on: (i) using the Anchor Portfolio's brands and products to greatly improve the customer experience in respect of the U.S. cannabis industry; and (ii) developing new brands to address unmet consumer needs. Product development is another core part of CSAC's strategy. Building on the existing, highly competitive Anchor Portfolio, CSAC intends to use its scale and expertise from adjacent industries, such as the alcohol and consumer packaged goods industries, to develop and market new products. Marketing research, leading digital marketing technology and the utilization of cross-industry best practices for efficient evaluation and market testing are expected to be key components of building industry-leading product development capabilities.

Wellness

Following the Transaction, CSAC intends that CSAC will begin its wellness initiative, the goal of which is to expand the pool of scientific study focused on cannabis, with an aim to provide robust scientific support for potential indications of CBD as beneficial across a variety of potential indications, from chronic pain and sleep disorders to post traumatic stress disorder and opioid replacement. There can be no assurance that any such scientific support will be developed under CSAC's wellness initiative.

See "*Narrative Description of the Business of CSAC – Business Objectives*" for a more comprehensive description of CSAC's plans to grow its combined post-closing operations.

Narrative Description of the Business of CSAC – Capital Investment Strategy

Significant Events and Milestones

The principal milestones that are planned to occur during the 12-month period following the Transaction for the successful completion of the business objectives described above include: (i) Sira's commencement of recreational cannabis sales in Massachusetts; and (ii) the completion (on schedule and within budget) of the proposed facility expansion plans described above.

Investments Required

CSAC intends to make a variety of investments in 2019 in order to support the targeted organic growth of the Anchor Portfolio. Identified investments for 2019 include the following³:

- \$2.0 million in estimated costs expected to be incurred through the first six months of 2019 to construct the MA Phase II Facility;
- \$18.0 to \$20.0 million in estimated costs expected to be incurred throughout 2019 to construct the MA Phase III Facility; and
- \$4.0 million expected to be paid in 2019 (\$1.0 million in the first quarter and \$3.0 million in the second quarter) for stockpiled oil inventory produced in anticipation of increased demand in the event that Massachusetts enters the new recreational market;
- \$4.5 million in estimated costs expected to be incurred in the first quarter of 2019 to expand the Reno, NV cultivation operations;
- \$1.0 million in estimated costs expected to be incurred in the first quarter of 2019 to outfit existing Anchor Portfolio facilities in Las Vegas to align extraction, production, and manufacturing capacity capabilities;

³ These statements constitute forward-looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. CSAC believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however these expectations may not prove to be correct.

- \$1.0 million expected to be incurred in the first quarter of 2019 in expansion-oriented equipment purchases to support CSAC's manufacturing and production operations.

See "*Narrative Description of the Business of CSAC – Capital Investment Strategy*" for more information on CSAC's capital investment strategy.

Risk Factors

The acquisition of any of the securities of CSAC is speculative, involving a high degree of risk. An investment in the securities of CSAC should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. CSAC's shareholders should evaluate carefully the risks identified in this prospectus under the heading "*Risk Factors*" associated with CSAC's securities, along with the risk factors described elsewhere in this prospectus.

Summary of Certain Canadian Federal Income Tax Considerations

For a summary of certain Canadian federal income tax considerations applicable to a beneficial owner of the Securities following the Transaction, see "*Certain Canadian Federal Income Tax Considerations*".

Holder are urged to consult their own income tax advisors with respect to the tax consequences applicable to the acquisition, holding and disposition of Securities based on their own particular circumstances.

Summary of Certain United States Federal Income Tax Considerations

For a summary of certain United States federal income tax considerations of the Transaction applicable to a U.S. Holder, please see "*Certain United States Federal Income Tax Considerations*".

U.S. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to the acquisition, holding and disposition of Securities based on their own particular circumstances.

Summary of Financial Information

Pro Forma Consolidated Capitalization

Completion of the Transaction requires, among other things, approval of the CSAC Shareholders. In addition, as the Transaction constitutes CSAC's qualifying transaction, holders of CSAC Class A Restricted Voting Shares can elect to redeem all or a portion of their CSAC Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the qualifying transaction, provided that they deposit (and do not validly withdraw) their shares for redemption prior to the Redemption Deadline. A description of the redemption rights will be included in the management information circular to be mailed to CSAC Shareholders in connection with the CSAC Meeting. A redeeming CSAC shareholder is entitled (conditional on closing) to receive an amount per Class A Restricted Voting Share, payable in cash, equal to the pro-rata portion (per CSAC Class A Restricted Voting Share) of: (A) the escrowed funds available in the CSAC's escrow account at the time of the CSAC Meeting, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by CSAC on such interest and other amounts earned in the escrow account, and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by CSAC. For greater certainty, such amount will not be reduced by the amount of any tax of CSAC under Part VI.1 of the Tax Act or the deferred underwriting commissions per CSAC Class A Restricted Voting Share held in escrow. This redemption amount is anticipated to be C\$10.03 per CSAC Class A Restricted Voting Share, assuming a February 28, 2018 redemption date.

The following table sets forth the consolidated capitalization of the Target Businesses as of September 30, 2018 adjusted to give effect to the Transaction assuming different levels of redemptions. Since September 30, 2018, other than in the normal course of business, there has been no material change in the equity and debt capital of the Target Businesses, on a consolidated basis.

This table should be read in conjunction with the CSAC Audited Annual Financial Statements, the Target Businesses' Audited Financial Statements, the Target Businesses' Interim Financial Statements and the Resulting

Issuer Pro Forma Financial Statements attached to this prospectus as Appendix A, Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P, Appendix Q and Appendix T, respectively.

	As of September 30, 2018, as adjusted \$ (in 000's for stated values)	As of September 30, 2018, as adjusted \$ (in 000's for stated values) after giving effect to the Transaction, and assuming no redemptions of CSAC Class A Restricted Voting Shares
Cash and cash equivalent	39.9	39.9
Debt	60.7	60.7
Shareholders' equity⁽¹⁾	422.6	375.3
Total Capitalization	443.4	396.2
Debt, net of cash	20.8	20.8

Notes:

- (1) Excludes the Resulting Issuer Shares issuable upon (i) exercise of the CSAC Warrants, which are exercisable commencing 65 days after the completion of the Transaction, and (ii) the conversion of the CSAC Rights, which are convertible upon the completion of the Transaction. See “*Corporate Structure – Warrant Agreement*” and “*Corporate Structure – Rights Agreement*”.
- (2) Assumes the closing price of C\$17.05 for the CSAC Class A Restricted Voting Shares on November 30, 2018.

Summary Pro Forma Consolidated Financial Information

The following unaudited pro forma consolidated statement of financial position of CSAC as at September 30, 2018 has been prepared by CSAC to give effect to the Transaction as if it had occurred on September 30, 2018. The following unaudited pro forma consolidated statement of operations of CSAC for the year ended September 30, 2018 has been prepared by CSAC to give effect to the Transaction as it had occurred on October 1, 2017.

This summary pro forma financial information should be read in conjunction with the CSAC Audited Annual Financial Statements, the Target Businesses’ Audited Financial Statements, the Target Businesses’ Interim Financial Statements and the Resulting Issuer Pro Forma Financial Statements attached to this prospectus as Appendix A, Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P, Appendix Q and Appendix T, respectively.

The pro forma financial information has been prepared for illustrative purposes only and may not be indicative of the operating results or financial condition that would have been achieved if the Transaction had been completed on the date or for the periods noted above, nor does it purport to project the results of operations or financial position for any future period or as of any future date. In addition to the pro forma adjustments that comprise this pro forma financial information, various other factors will have an effect on the financial condition and results of operations of CSAC following the completion of the Transaction, including an adjustment as it relates to the closing of the Transaction which assumes no redemption of CSAC Class A Restricted Voting Shares (the actual redemption level is uncertain, but see Note 8(g) of the Resulting Issuer Pro Forma Financials for the illustrative effect of 0% and 50% redemption levels). See “*Notes to Pro Forma Condensed Consolidated Combined Financial Information*” included in Appendix T for a discussion of pro forma adjustments. See also “*Caution Regarding Forward-Looking Statements*”.

Cannabis Strategies Acquisition Corp.
Unaudited Pro Forma Consolidated Statement of Financial Position
As at September 30, 2018

US\$	CSAC September 30, 2018 \$	Sira September 30, 2018 \$	Canopy September 30, 2018 \$	Washoe September 30, 2018 \$	LivFree September 30, 2018 \$	CannaPunch September 30, 2018 \$	Subtotal \$	Notes	Acquisition \$	Notes	Pro-Forma Adjustments \$	Total September 30, 2018 \$
ASSETS												
Current												
Cash	543,251	1,924,581	168,370	487,749	1,591,393	235,903	4,951,247	Sa,e,f	29,895,553	Sh	(3,643,303)	31,203,497
Accounts receivable, trade, no allowance	-	-	-	135,011	-	192,155	327,166	-	-	6a	(55,584)	271,582
Deposit	231,750	-	-	-	-	-	231,750	-	-	-	-	231,750
Inventory	-	6,817,695	1,721,467	2,082,286	1,798,799	372,754	12,793,001	Si	17,848,647	-	-	30,641,648
Biological assets	-	3,415,120	-	1,689,684	-	-	5,104,804	Si	39,147	-	-	5,143,951
Prepaid expenses and other assets	3,380	135,593	125,012	376,260	259,147	1,210	900,602	Si	(14,224)	6a	(57,974)	828,404
Advance to a related corporation	-	-	-	-	250,000	-	250,000	Si	(250,000)	-	-	-
	778,380	12,292,989	2,014,849	4,770,990	3,899,339	802,022	24,558,569		47,519,123		(3,756,861)	68,320,831
Restricted cash and short-term investments held in escrow												
	104,815,553	-	-	-	-	-	104,815,553	Se	(104,815,553)		-	-
Intangible assets	-	-	1,623,114	77,894	-	-	1,701,008	Sb	57,819,886		-	59,520,894
Property, plant and equipment	-	7,745,930	1,178,712	8,135,638	1,630,195	23,550	18,714,025	Si	1,279,357		-	19,993,382
Goodwill	-	-	-	-	-	-	-	Sb	143,276,864		-	143,276,864
Investment in associate	-	-	-	1,634,809	3,899,934	-	5,534,743	Si	(1,040,233)		-	4,494,510
Deferred tax assets	-	458,111	-	-	-	-	458,111		-		-	458,111
Other long term assets	-	480,401	-	-	-	-	480,401		-		-	480,401
Total assets	105,593,933	20,977,431	4,816,675	14,619,331	9,429,468	825,572	156,262,410		144,039,444		(3,756,861)	296,544,993
LIABILITIES												
Current												
Trade payables	554,877	1,094,432	356,095	1,124,836	316,652	54,304	3,501,196		-	6a	(55,584)	3,445,612
Accrued liabilities	-	1,132,615	252,795	133,642	611,396	96,972	2,227,420		-		-	2,227,420
Advance from a related corporation	597,742	-	57,974	-	-	-	655,716		-	6a	(57,974)	597,742
Income tax payable	-	2,124,970	-	-	-	-	2,124,970		-		-	2,124,970
Distributions payables	-	-	-	-	-	-	-		-		-	-
Debts/notes payable - current portion	-	6,832	-	28,394	240,000	-	275,226		-		-	275,226
Advance from a member	-	-	-	-	-	1,402	1,402		-		-	1,402
	1,152,619	4,358,849	666,864	1,286,872	1,168,048	152,678	8,785,930		-		(113,558)	8,672,372
Deferred underwriters' commission	3,643,303	-	-	-	-	-	3,643,303		-	Sh	(3,643,303)	-
Class A restricted voting shares subject to redemption	122,831,363	-	-	-	-	-	122,831,363		-	Sg	(122,831,363)	-
Warrant liability	12,637,372	-	-	-	-	-	12,637,372		-		-	12,637,372
Accrued interest payable	-	6,577,265	-	-	-	-	6,577,265		-		-	6,577,265
Debts payable - Non-current portion	-	14,967,581	-	9,209,764	40,000	-	24,217,345	Sa	37,140,000		-	61,357,345
Total liabilities	140,264,657	25,903,695	666,864	10,496,636	1,208,048	152,678	178,692,578		37,140,000		(126,588,224)	89,244,355
Members' equity	-	(4,926,264)	4,149,811	4,122,695	8,221,420	672,894	12,240,556	Sd	(12,240,556)		-	-
Share capital	1,767,186	-	-	-	-	-	1,767,186	Sa	125,140,000	Sg	122,831,363	249,738,549
Accumulated deficit	(36,437,910)	-	-	-	-	-	(36,437,910)	Sf	(6,000,000)		-	(42,437,910)
Contributed surplus	-	-	-	-	-	-	-		-		-	-
	(34,670,724)	(4,926,264)	4,149,811	4,122,695	8,221,420	672,894	(22,430,168)		106,899,444		122,831,363	207,300,639
Total liabilities and members' equity	105,593,933	20,977,431	4,816,675	14,619,331	9,429,468	825,572	156,262,410		144,039,444		(3,756,861)	296,544,993

Cannabis Strategies Acquisition Corp.
Unaudited Pro Forma Consolidated Statements of Operations
For the Year Ended September 30, 2018

US\$	CSAC September 30, 2018 \$	Sira September 30, 2018 \$	Canopy September 30, 2018 \$	Washoe September 30, 2018 \$	LivFree September 30, 2018 \$	CannaPunch September 30, 2018 \$	Subtotal \$	Notes	Pro-Forma Adjustments \$	Consolidated September 30, 2018 \$
Revenues, net of discounts	-	15,004,527	11,280,896	6,714,613	30,166,236	6,096,442	69,262,714	6b	(4,250,298)	65,012,416
Cost of goods sold before biological asset adjustment	-	6,471,072	5,385,963	2,303,543	18,954,288	2,760,447	35,875,313	6b	(4,250,298)	31,625,015
	-	8,533,455	5,894,933	4,411,070	11,211,948	3,335,995	33,387,401		-	33,387,401
Fair value changes in biological assets included in cost of sales	-	(15,580,713)	-	(991,590)	-	-	(16,572,303)			(16,572,303)
Unrealized gain on biological asset transformation	-	11,137,058	-	1,491,432	-	-	12,628,490			12,628,490
Gross profit (loss)	-	4,089,800	5,894,933	4,910,912	11,211,948	3,335,995	29,443,588		-	37,331,214
Expenses										
Transaction costs	7,115,646	-	-	-	-	-	7,115,646	6c	6,000,000	13,115,646
General and administrative	916,469	4,930,887	1,710,598	807,216	3,547,112	828,448	12,740,730			12,740,730
Sales and marketing	-	420,523	292,417	192,757	426,889	88,051	1,420,637			1,420,637
Depreciation	-	125,807	32,769	494,991	179,442	-	833,009			833,009
Licensors profit share	-	-	-	-	-	898,878	898,878			898,878
Management fee	-	211,815	426,848	160,000	-	-	798,663	6b	(185,000)	613,663
Net unrealized loss on changes in the fair value of financial liabilities	29,454,070	-	-	-	-	-	29,454,070			29,454,070
Total expenses	37,486,185	5,689,032	2,462,632	1,654,964	4,153,443	1,815,377	53,261,633		5,815,000	59,076,633
Net income (loss) from operations	(37,486,185)	(1,599,232)	3,432,301	3,255,948	7,058,505	1,520,618	(23,818,045)		(5,815,000)	(21,745,419)
Other (income) expense										
Share of (income) loss on equity investments	-	-	-	(1,865,621)	(1,441,246)	-	(3,306,867)			(3,306,867)
Interest expense	-	2,715,005	-	473,337	-	-	3,188,342			3,188,342
Interest income	727,526	-	-	(23,067)	-	-	704,459			704,459
Management fee income	-	-	-	(185,000)	-	-	(185,000)	6b	185,000	-
Rental income and others	-	(79,319)	-	(90,240)	4,043	-	(165,516)			(165,516)
Total other (income) expense	727,526	2,635,686	-	(1,690,591)	(1,437,203)	-	235,418		185,000	420,418
Income tax (recovery) expense	-	2,254,708	-	-	-	-	2,254,708			2,254,708
Net income (loss) and comprehensive income (loss)	(38,213,711)	(6,489,626)	3,432,301	4,946,539	8,495,708	1,520,618	(26,308,171)		(6,000,000)	(24,420,545)
Loss per share - basic and diluted								9		(0.99)
Weighted average number of shares outstanding								9		24,786,191

NOTICE TO READERS

This prospectus is being filed by CSAC, which is a special purpose acquisition corporation (“SPAC”) incorporated under the laws of the Province of Ontario. CSAC was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination involving CSAC that will qualify as its “qualifying transaction”.

On October 17, 2018, CSAC announced that it had entered into the Definitive Agreements with the Target Businesses pursuant to which, among other things, CSAC shall acquire, directly or indirectly, all of the equity or all of the assets, as applicable, of the Target Businesses. Existing shareholders of CSAC (who, in the case of holders of CSAC Class A Restricted Voting Shares (as defined below), do not choose to redeem their shares) will continue to hold an interest in CSAC after giving effect to the Transaction. In connection with the Transaction, CSAC intends to change its name to a name to be selected by its board of directors as part of its intended continuance into British Columbia, and also intends to amend its financial year-end from September 30 to December 31. CSAC will own 100% of the Target Businesses, subject to the terms of the Definitive Agreements. See “*Description of the Business of CSAC*”.

This prospectus is being filed in accordance with the NEO Exchange Listing Manual in connection with the completion of CSAC’s qualifying transaction. Unless otherwise indicated, the disclosure in this prospectus has been prepared assuming that the Transaction has become effective. References to “CSAC” in this prospectus are to CSAC after giving effect to the Transaction, as the context requires. Following the Transaction, CSAC will own 100% of the Target Businesses, subject to the terms of the Definitive Agreements. See “*Description of the Business of CSAC*” and “*Risk Factors*”.

The information provided herein concerning CSAC following the completion of the Transaction is provided as of the date of this prospectus. Accordingly, the information provided herein is subject to change prior or subsequent to the Effective Date. See “*Caution Regarding Forward-Looking Statements*”.

Unless otherwise indicated, references herein to the programs, policies, procedures, practices, guidelines, mandates and plans (collectively, the “**Programs and Policies**”) of CSAC refer, in each case, to the Programs and Policies of CSAC which are expected to be formally ratified and adopted by the Resulting Issuer Board subsequent to the Transaction. Unless otherwise indicated, the disclosure in respect of the Programs and Policies contained in this prospectus is presented on the assumption that the Programs and Policies have been formally ratified by the Resulting Issuer Board in such form and have been instituted at CSAC. Notwithstanding the foregoing, prior to the formal ratification and adoption of each of the Programs and Policies, it is expected that the Resulting Issuer Board will review and adjust such Programs and Policies to the extent necessary to ensure that the specific requirements of CSAC and its operations are met. Accordingly, the disclosure contained in this prospectus in respect of such Programs and Policies remains subject to revision prior or subsequent to the Effective Date.

Unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “\$” or “US\$” are to United States dollars. References to “C\$” are to Canadian dollars.

The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada during the respective periods. Periods prior to January 1, 2017 are based on the noon rate published by the Bank of Canada. Periods from and after January 1, 2017 are based on the daily average exchange rate published by the Bank of Canada.

	Nine Months Ended September 30		Year Ended December 31		
	2018	2017	2017	2016	2015
Rate at end of period	C\$1.2803	C\$1.2505	C\$1.2545	C\$1.3427	C\$1.3840
Average rate during period.....	C\$1.2876	C\$1.3071	C\$1.2986	C\$1.3248	C\$1.2787
High rate for period.....	C\$1.3310	C\$1.3743	C\$1.3743	C\$1.4589	C\$1.3990
Low rate for period.....	C\$1.2288	C\$1.2128	C\$1.2128	C\$1.2544	C\$1.1728

The Target Businesses report certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structures. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure. See *“The Business of CSAC – Definition and Reconciliation of Non-IFRS Measures”*.

The Resulting Issuer Pro Forma Financial Statements included in Appendix T to this prospectus assume the completion of the Transaction. The Resulting Issuer Pro Forma Financial Statements should be read in conjunction with the CSAC Audited Annual Financial Statements, the Target Businesses’ Audited Financial Statements and the Target Businesses’ Interim Financial Statements included in Appendix A, Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P and Appendix Q, respectively.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are prospective in nature and include forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, **“forward-looking statements”**). All information, other than statements of historical facts, included in this prospectus that address activities, events or developments that CSAC expects or anticipates will or may occur in the future is forward-looking information. Forward-looking statements include, but are not limited to: statements concerning the completion and proposed terms of, and matters relating to, the Transaction and the expected timing related thereto; the likelihood of the Transaction being completed; the redemption amount, if any, in respect of the CSAC Class A Restricted Voting Shares; the members of Resulting Issuer Board and the executive officers of CSAC following the Transaction; the expected operations, financial results and condition of CSAC following the Transaction; general economic trends; the regulatory and legal environment relating to cannabis in the United States and Canada; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the United States and the States in which CSAC operates; cannabis cultivation, production and extraction capacity estimates and projections; additional funding requirements; statements based on the Resulting Issuer Pro Forma Financial Statements; CSAC’s Programs and Policies; CSAC’s future objectives and strategies to achieve those objectives; the listing or continued listing of Resulting Issuer Shares, the CSAC Warrants and the CSAC Rights on the NEO Exchange; any market created for CSAC’s securities; the estimated cash flow, capitalization and adequacy thereof for CSAC following the Transaction; the expected benefits of the Transaction to, and resulting treatment of, holders of CSAC Class A Restricted Voting Shares, CSAC Class B Shares, the CSAC Warrants and the CSAC Rights; the amount and frequency of any dividend which may be paid on Resulting Issuer Shares in the future; the anticipated effects of the Transaction; the number of Resulting Issuer Shares outstanding following the Transaction; CSAC’s compensation of its directors and executive officers; the likelihood of the Transaction being completed; the satisfaction of the conditions to consummate the Transaction; as well as other statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “would”, “could”, “will”, “intend”, “target”, “forecast”, “project”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “design”, “goal”, “plans” or “continue”, or similar expressions suggesting future outcomes or events.

Forward-looking statements reflect CSAC management’s current beliefs, expectations and assumptions and are based on information currently available to management, management’s historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this prospectus, CSAC and the Target Businesses have made certain assumptions with respect to, among other things: the anticipated approval of the Transactions by the CSAC Shareholders; the anticipated receipt of any required regulatory approvals and consents (including the final approval of the NEO Exchange); the expectation that each of CSAC and the Target Businesses will comply with the terms and conditions of the Definitive Agreements; the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Definitive Agreements; that no unforeseen changes in the legislative and operating frameworks for CSAC will occur; that CSAC will meet its future

objectives and priorities; that CSAC will have access to adequate capital to fund its future projects and plans; that CSAC's future projects and plans will proceed as anticipated; that there would be no material changes in the U.S. legal and regulatory environment relating to cannabis; taxes payable; customer growth, pricing, usage and churn rates; technology deployment; data based on good faith estimates that are derived from management's knowledge of the industry and other independent sources; as well as assumptions concerning general economic and industry growth rates, commodity prices, currency exchange and interest rates and competitive intensity.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to: cannabis is a controlled substance under the Substances Act (as defined herein); renewal of the Leahy Amendment would protect the medical cannabis industry; prohibition on public company ownership under local law; enforcement of cannabis laws could change; CSAC may be subject to restricted access to banking services in the United States and Canada; differing regulatory requirements across State jurisdictions may hinder economies of scale; legal, regulatory or other political change; the unpredictable nature of the cannabis industry; regulatory scrutiny; the impact of regulatory scrutiny on the ability to raise capital; United States tax classification of CSAC and cannabis-related tax risks; tax risk related to cannabis businesses; anti-money laundering laws and regulations; any reclassification of cannabis or changes in U.S. controlled substances and regulations; restrictions on the availability of favorable locations; risks associated with the Multiple Voting Shares, in the event that the Multiple Voting Share proposal is effected, including unpredictability caused by CSAC's capital structure and the concentration of voting control and the ability to influence corporate matters by Mercer as the sponsor; risk of civil asset forfeiture; lack of access to U.S. bankruptcy protection; enforceability of contracts; changes in Canadian regulation or a failure to comply; general regulatory and licensing risks; limitations on ownership of licenses; regulatory action and approvals from the Food and Drug Administration; conditions precedent or approvals required for the Transaction not being obtained; the potential benefits of the Transaction not being realized; CSAC and the Target Businesses' abilities to delay or amend the implementation of all or part of the Transaction or to proceed with the Transaction even if certain consents and approvals are not obtained on a timely basis; future factors that may arise making it inadvisable to proceed with, or advisable to delay, all or part of the Transaction; and the costs related to the Transaction that must be paid even if the Transaction is not completed; risks inherent in the current state of scientific research related to the benefits of cannabis; competition; unfavorable publicity or consumer perception; results of future clinical research; limited market data and difficulty to forecast; constraints on marketing products; limited operating history of CSAC and each of the Target Businesses; reliance on management; conflicts of interests; competition from synthetic production and technological advances; fraudulent or illegal activity by employees, contractors and consultants; contractual right of action; developments in the cannabis industry; reputational risk for CSAC and third parties; advertising and promotional risk; product liability; product recalls; risks related to product development and identifying markets for sale; dependence on suppliers; reliance on inputs; reliance on equipment and skilled labour; service providers; litigation; intellectual property risks; information technology systems, cyber-attacks and security breaches; security and privacy breaches; high bonding and insurance coverage; transportation; energy costs; risks inherent in an agricultural business; management of growth; risks of leverage; future acquisitions or dispositions; difficulty attracting and retaining personnel; co-investment risk; reliance on management services agreements with subsidiaries and affiliates; website accessibility; costs of being a public company; limited remedies; difficulty in enforcing judgments and effecting service of process on directors and officers; past performance not indicative of future results; financial projections may prove materially inaccurate or incorrect; the payment of dividends; currency fluctuations; market price volatility risks; restrictions on and limited market for securities; sales by existing shareholders; global financial conditions; environmental regulation; unknown environmental risks; tax risk related to controlled substances; and United States tax classification of CSAC. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking statements included in this prospectus, see the risk factors discussed under the heading "*Risk Factors*" and as described from time to time in the reports and disclosure documents filed by CSAC and, following the Transaction, CSAC with the Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on CSAC's forward-looking statements. As a result of the foregoing and other factors, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements included in and incorporated into this prospectus are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this prospectus and, except as expressly required by applicable law, CSAC undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Readers are cautioned that the actual results achieved will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by CSAC that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

MARKET AND INDUSTRY DATA

This prospectus relies on and refers to information regarding various companies and certain market and industry data. CSAC and the Target Businesses have obtained this information and industry data from independent market research reports and/or information made publicly available by such companies. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although CSAC and the Target Businesses believe the market research and publicly available information is reliable, CSAC and the Target Businesses have not independently verified and cannot guarantee the accuracy or completeness of that information and investors should use caution in placing reliance on such information.

NON-IFRS MEASURES

The Target Businesses report certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structure. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure. See “*Narrative Description of the Business of CSAC – Definition and Reconciliation of Non-IFRS Measures*”.

CORPORATE STRUCTURE

Cannabis Strategies Acquisition Corp.

Name, Address and Incorporation

CSAC was incorporated under the OBCA on July 31, 2017. Its current registered office is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L1B9 and is expected to be moved to 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of CSAC will be located at 590 Madison Avenue, 26th Floor, New York, New York, 10022. On December 14, 2017, CSAC amended its articles to increase its authorized capital to create an unlimited number of CSAC Class A Restricted Voting Shares, in addition to an unlimited number of CSAC Class B Shares, each without nominal or par value.

The Transaction

As of the date of this prospectus, CSAC is a SPAC that was incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving CSAC, which is referred to throughout this prospectus as CSAC’s “qualifying transaction”.

CSAC’s sponsor, Mercer Park CB, L.P. (“**Mercer**”), is a limited partnership of which Mercer Park CB GP, LLC is the general partner, and which is indirectly controlled by Jonathan Sandelman. Mercer is a privately-held family office based in New York, New York, the executive leadership and entrepreneurial expertise, investment and deal experience and network of which have been a critical component of CSAC’s identification and consummation process in respect of the Transaction.

On October 17, 2018, CSAC announced that it had entered into the Definitive Agreements to acquire the Target Businesses, which are intended to collectively constitute CSAC’s “qualifying transaction”. Subject to obtaining certain approvals and the satisfaction of certain conditions stipulated therein, it is anticipated that these acquisitions

will be completed in early 2019. There is no assurance that all or any of the acquisitions of the Target Businesses will be completed or, if completed, will be on terms that are exactly the same as disclosed in this prospectus.

Definitive Agreements

On October 17, 2018, CSAC and its wholly-owned subsidiary, CSAC AcquisitionCo, entered into the following Definitive Agreements to acquire the Target Businesses:

- Equity Exchange Agreement dated as of October 17, 2018, among Green Partners Investor LLC and Green Partners Sponsor I, LLC as the shareholders of Sira, Louis F. Karger as sellers' representative, Sira, CSAC AcquisitionCo and CSAC (the "**Sira Agreement**");
- Asset Purchase Agreement dated as of October 17, 2018, among Canopy, Lemon Aide, LLC, Kynd-Strainz, LLC, CSAC AcquisitionCo and CSAC (the "**Canopy Agreement**");
- Equity Purchase Agreement dated as of October 17, 2018, among the members of Washoe, Mark E. Pitchford as sellers' representative, Washoe, CSAC AcquisitionCo and CSAC (the "**Washoe Agreement**");
- Equity Purchase Agreement, dated as of October 17, 2018, among the members of LivFree, Steve Menzies as sellers' representative, LivFree, CSAC AcquisitionCo and CSAC (the "**LivFree Agreement**"); and
- Equity Purchase Agreement dated as of October 17, 2018, among Mark Smith and Daniel Griffin as the members of Cannapunch, Cannapunch, Mark Smith as sellers' representative, CSAC AcquisitionCo and CSAC (the "**Cannapunch Agreement**").

The description of the Definitive Agreements, both below and elsewhere in this prospectus, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on CSAC's profile on SEDAR at www.sedar.com.

Representations and Warranties

The Definitive Agreements contain customary representations and warranties made by CSAC to the Target Businesses and the Target Businesses to CSAC, including representations and warranties related to due organization and qualification, capitalization and authorization to enter into the Definitive Agreements and carry out their respective obligations thereunder. In addition, the Target Businesses made certain customary representations and warranties particular to the conduct of their respective businesses, the ownership and sufficiency of their assets, the accuracy of their books and records and financial statements, certain employee matters, compliance with applicable laws and the lack of any claims, actions or proceedings that may cause a material adverse effect. These representations and warranties may be subject to important qualifications, limitations and exceptions agreed to by the parties, including the uncertainty surrounding the legality of cannabis under U.S. federal law. Additionally, each Target Business agreed not to solicit or enter into any discussions regarding a similar transaction with any other third party.

The representations and warranties of the Target Businesses and CSAC contained in the Definitive Agreements have customary survival periods, during which time indemnification for breaches may be sought against the sellers for any breaches or inaccuracies, subject to negotiated limitations, baskets and caps that vary between each Definitive Agreement. Such indemnification may be set-off against the amount of the Target Promissory Notes that form part of the purchase price consideration under the respective Definitive Agreement and, if applicable, against any earn-out consideration contained in a Definitive Agreement. Each of the Definitive Agreements, except for the Sira Agreement, contains a post-closing adjustment mechanism for the level of working capital (including inventory) actually delivered at closing compared to a target amount either agreed to in the Definitive Agreement or to be agreed to prior to closing. The Sira Agreement contains a closing condition that working capital (excluding inventory) and inventory will be greater than or equal to targets set out in the Definitive Agreement. If the amounts of working capital and inventory available at closing fall below the targets, CSAC may reduce the purchase price and proceed with closing or choose not to close. The Sira Agreement also contains a covenant requiring CSAC to pay fair market value for any inventory in excess of the inventory target. Fair market value will be determined using a

mechanism to be agreed upon prior to closing. One-third of the payment for excess inventory will be made at closing and two-thirds will be made within 90 days after closing. Upon the completion of the Transaction, CSAC commits to adopting a stock option plan as approved by the Resulting Issuer Board, to be used as a performance incentive for management of CSAC and the Target Businesses. Additional details of each Definitive Agreement follow.

Sira Agreement

Pursuant to the Sira Agreement, the shareholders of Sira agreed to contribute all of the issued and outstanding securities of Sira to CSAC AcquisitionCo in exchange for (i) a note in the amount of \$5,000,000 (the “**Sira Promissory Note**”) to a lender of Sira that will be secured by a first-priority security interest over all of the assets of Sira, (ii) the issuance of an aggregate of 1,885,606 shares of Class B common stock of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into CSAC Class B Shares (such shares of CSAC AcquisitionCo, the “**Exchangeable Shares**”) with a deemed value of \$15.91 each, some of which are being issued to the lenders of Sira to satisfy existing indebtedness of Sira, and (iii) a cash payment of \$15,000,000 to pay existing indebtedness of Sira. 50% of the Exchangeable Shares issuable under the Sira Agreement will be subject to a six-month post-closing lock-up period and the other 50% of such Exchangeable Shares will be subject to a twelve-month post-closing lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. Additionally, CSAC AcquisitionCo will pay by wire transfer to the sellers, such seller’s pro rata share of the fair market value of Sira’s inventory above a target level set at \$800,000 (the “**Inventory Payment**”). One-third of this Inventory Payment will be paid by CSAC AcquisitionCo on the Effective Date and the remaining two-thirds within 90 days following the closing.

The Sira Agreement also contains an earn-out provision that may entitle the sellers to earn additional consideration, if certain Adjusted EBITDA milestones are achieved at Sira’s planned cultivation facility in Milford, MA over its first full year of operation. Such facility may not be financed with third-party debt that exceeds 50% of the cost of construction and a first priority mortgage (which would be subordinated to any third-party construction lender) on such facility will provide further security for the Sira Promissory Note. CSAC may set off indemnification claims against any payments to be made by it under the earn-out provision and/or the Sira Promissory Note, except the total amount set off against earn-out payments and the Target Promissory Note may not exceed \$5,000,000 in the aggregate.

The Sira Agreement contains pre-closing and post-closing covenants by each party. Prior to closing, the parties agree to cooperate and use commercially reasonable efforts to complete each transaction and to secure the necessary consents, permits and regulatory approvals. Prior to the closing, Sira will be required to be operated in the ordinary course of its business and specified sections of the NEO Exchange guidance regarding companies with U.S. marijuana-related activities. See “*NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities*” below. Meanwhile, CSAC is required to ensure that all ongoing corporate reports are free from any misrepresentation (with an obligation to indemnify Sira and the sellers for any misrepresentations other than with respect to information provided by Sira or the other Target Businesses that was not within CSAC’s actual knowledge) and agrees to file a prospectus with the OSC and the NEO Exchange and prepare a circular and shareholder meetings for all necessary approvals for each acquisition, as required by the NEO Exchange and applicable Canadian securities regulators. CSAC will be required to reimburse the sellers and Sira for any extraordinary expenses paid by them in connection with the preparation and filing of the prospectus and the preparation and auditing of Sira’s financial statements in accordance with IFRS.

The Sira Agreement contains customary closing conditions, including entry into employment agreements with key employees of Sira (which are expected to contain confidentiality, non-competition and non-solicitation provisions), accuracy of representations and warranties, required approvals in connection with necessary licenses and permits, the attainment of required governmental and material third-party consents and the contemporaneous closing of CSAC’s acquisition of Sira with CSAC’s acquisition of each of Canopy, Washoe, LivFree and CannaPunch. Closing of the transaction contemplated in the Sira Agreement is also conditioned on the contemporaneous closing of all but one of the other transactions contemplated by the Definitive Agreements. Subject to his eligibility under applicable law and NEO Exchange regulations, Louis F. Karger may be appointed to the Resulting Issuer Board upon completion of the Transaction.

The Sira Acquisition may be terminated and the associated transactions may be abandoned prior to closing by the mutual written consent of parties thereto. The Sira Agreement also contains an outside date of March 31, 2019, but may also be terminated prior to such date by one of the parties if the counterparty breaches a representation, warranty covenant or agreement contained therein. If CSAC is the breaching party, CSAC may be required to pay a termination fee of \$1,000,000 in cash to Sira, as specified in the Sira Agreement. The Sira Agreement may also be terminated if a governmental authority issues an order or takes any other action that enjoins or otherwise prohibits the transactions contemplated therein, or if CSAC fails to contemporaneously close all but one of the other transactions contemplated by the Definitive Agreements.

Prior to the closing of the Sira acquisition, the sellers may amend their disclosure schedules with respect to any matter arising or which it becomes aware of after the signing of the Sira Agreement, and CSAC's sole remedy is to terminate the Sira Agreement within ten business days of such amendment.

Following the closing of the Sira acquisition, CSAC will use its commercially reasonable efforts to ensure that the CSAC Class B Shares will be posted and listed for trading on the NEO Exchange (or another recognized exchange in Canada or the United States) for at least 36 months following the closing, except under an acquisition transaction whereby the sellers receive equivalent value for their Exchangeable Shares in cash or in other publicly traded securities. Sira will be subject to certain post-closing covenants for the benefit of the lender under the Sira Promissory Note, including restrictions on its ability to dispose of its assets.

Canopy Agreement

Pursuant to the Canopy Agreement, (i) Canopy agreed to contribute all of the assets of its two operating companies, Lemon Aide, LLC and Kynd-Strainz, LLC (together, the “**Canopy Target Businesses**”), except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the “**Canopy Consents**”), to a “NewCo” entity (the “**Canopy NewCo**”) (the “**Canopy Reorganization**”); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of Canopy NewCo in exchange for (A) a promissory note in the amount of \$4,500,000 (the “**Canopy Promissory Note**”) to Canopy that will be secured by a first-priority security interest over all of the assets of Canopy NewCo, (B) the issuance to Canopy of an aggregate of 250,000 Exchangeable Shares with a deemed value of \$5,500,000 and (C) cash consideration in the amount of \$7,000,000, some of which will be used to pay debt and expenses of Canopy, as well as applicable taxes; (iii) CSAC AcquisitionCo agreed to assume a loan in the amount of approximately \$400,000; and (iv) Canopy agreed to take all reasonable measures in good faith to secure the Canopy Consents and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in the Canopy Target Businesses or the retained assets to CSAC AcquisitionCo for nominal consideration. 102,273 Exchangeable Shares issuable under the Canopy Agreement will be subject to a six-month post-closing lock-up period, a further 102,273 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period and 45,454 Exchangeable Shares will not be subject to any lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the Canopy Reorganization except for certain obligations with respect to obtaining necessary regulatory approval.

The Canopy Agreement contains pre-closing and post-closing covenants by each party (including a non-compete and non-solicit from Canopy and its affiliates). Prior to closing, the parties agree to cooperate and use commercially reasonable efforts to complete each transaction and to secure the necessary consents, permits and regulatory approvals for closing, other than the Canopy Consents. Prior to the closing, the Canopy Target Businesses will be required to be operated in the ordinary course of their business and take reasonable measures to comply with applicable NEO Exchange guidance regarding companies with U.S. marijuana-related activities. See “*NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities*” below. Meanwhile, CSAC agrees to file a prospectus with the OSC and the NEO Exchange and prepare a circular and shareholder meetings for all necessary approvals for each acquisition, as required by the NEO Exchange and applicable Canadian securities regulators. CSAC also agrees not to issue CSAC Class B Shares and rights to acquire any CSAC Class B Shares during the lock-up periods set forth above, except for certain enumerated exceptions such as (i) the issuance of shares upon the exercise of CSAC Warrants or CSAC Rights outstanding on the Effective Date, (ii) shares in connection with a transaction or financing based on a value per share not less than the Maximum Discount to Market Price (within the meaning of the NEO Exchange Listing Manual, except that the reference to 20% therein will be read as 15%) or (iii) issuance of shares as executive compensation, provided that if CSAC Class B Shares are issued

outside of these exceptions, the 6-month and 12-month lockup restrictions on the Exchangeable Shares will be reduced to four months and eight months, respectively. The lockup restrictions may also be eliminated if CSAC or CSAC AcquisitionCo undergo certain fundamental changes within the 12-month period following the closing, such as an amendment to its organizational documents to the detriment of the sellers, a change of the rights of any class of shares or a merger, liquidation or winding-up or certain transactions outside the ordinary course of business, including other acquisitions by any member of the CSAC corporate group exceeding the current annual budget of such member of the group by 20% or more. On closing, Canopy will grant to CSAC or its affiliates a five-year option to purchase the real property owned by affiliates of Canopy and used in the business of the Canopy Target Businesses at fair market value. Additionally, CSAC agreed to issue additional Exchangeable Shares up to a year following the closing date in certain circumstances, subject to certain limitations. More specifically, if the trailing 3-day volume-weighted average trading price of the CSAC Class B Shares (the “Closing Price”) is less than C\$29.00 on: (i) the closing date of the Canopy acquisition, a number of additional Exchangeable Shares may be issued to Canopy so that the cumulative market value of the Exchangeable Shares issued to Canopy on the closing date with no lock-up period is equal to \$999,998; (ii) the date that is 180 days after the closing date of the Canopy acquisition, a number of additional Exchangeable Shares may be issued to Canopy so that the cumulative market value of the Exchangeable Shares issued to Canopy with a 6-month lock-up period is equal to \$2,250,006; or (iii) the date that is 360 days after the closing date of the Canopy acquisition, a number of additional Exchangeable Shares may be issued to Canopy so that the cumulative market value of the Exchangeable Shares issued to Canopy with a 12-month lock-up period is equal to \$2,250,006. Under no circumstances may the total number of additional Exchangeable Shares to be issued under this make-whole provision exceed 10% of the total number of issued and outstanding Class B shares of the SPAC as of the Effective Date.

Following the date of CSAC’s qualifying transaction, if any, CSAC and CSAC AcquisitionCo will indemnify the sellers from losses suffered resulting from any action, claim or proceeding made or alleged by a specified third party that questions, challenges or disputes any of the transactions contemplated by the Canopy Agreement or the Washoe Agreement that are in excess of an agreed upon amount and will further pay the reasonable out of pocket costs of the sellers in defending or settling any related claim.

The Canopy Agreement contains customary closing conditions, including entry into employment agreements with key employees of the Canopy Target Businesses, accuracy of representations and warranties, required approvals in connection with any permits, the attainment of required governmental and material third-party consents and the contemporaneous closing of CSAC’s acquisition of Canopy with CSAC’s acquisition with each of Sira, Washoe, LivFree and CannaPunch. Closing of the transaction contemplated in the Canopy Agreement is also conditioned on the contemporaneous closing of all but one of the other transactions contemplated by the Definitive Agreements and the finalization of the terms of the Exchangeable Shares. Subject to his eligibility under applicable law and NEO Exchange regulations, Mark E. Pitchford will be appointed to the Resulting Issuer Board upon completion of the Transaction and CSAC will commit to nominating him for election to the Resulting Issuer Board for so long as he holds at least 40% of the Exchangeable Shares (or CSAC Class B Shares issued upon conversion of his Exchangeable Shares) issued to him on the Effective Date.

If CSAC AcquisitionCo is unable to complete the transactions contemplated under the Canopy Agreement, including without limitation the Canopy Reorganization, resulting in a loss of a material portion of the economic benefits from one or two of the retained licenses and associated inventory, the transfer of which is subject to the Canopy Consents, then at CSAC AcquisitionCo’s option, the parties shall negotiate in good faith such amendments as are appropriate to provide for the exclusion of the related assets from the transactions contemplated by the transaction, in exchange for a reduction in the consideration that is equal to the estimated value of such excluded assets having regard to, among other things, their anticipated contribution to the overall 2019 cash flow target of such Target Business prepared in accordance with IFRS, provided that upon the transfer of the foregoing excluded assets to or for the benefit of CSAC AcquisitionCo or CSAC, such withheld or reduced portion of the original consideration, if any, shall become payable to Canopy as additional consideration.

In connection with the Canopy Reorganization, CSAC and its affiliates will be entering into certain agreements, including a license agreement and a management services agreement with Canopy and the Canopy Target Businesses in order to retain the benefit of the non-transferable permits and licenses that will remain in the possession of the Canopy Target Businesses following the Canopy Reorganization, pending the necessary regulatory

consents and approvals necessary to consummate the conveyance of the Canopy Target Businesses or its retained assets to CSAC AcquisitionCo.

The Canopy Agreement may be terminated and the associated transactions may be abandoned prior to closing by the mutual written consent of parties thereto. The Canopy Agreement also contains an outside date of March 31, 2019, but may also be terminated prior to such date by one of the parties if the counterparty breaches a representation, warranty covenant or agreement contained therein. The Canopy Agreement may also be terminated if a governmental authority issues an order or takes any other action that enjoins or otherwise prohibits the transactions contemplated therein, or if CSAC fails to contemporaneously close all but one of the other transactions contemplated by the Definitive Agreements.

Washoe Agreement

Pursuant to the Washoe Agreement, (i) Washoe and the members of Washoe agreed to contribute all of the assets of Washoe and its subsidiaries (including certain parcels of real property owned by Washoe or a subsidiary), except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the “**Washoe Consents**”), to a “NewCo” entity (the “**Washoe NewCo**”) (the “**Washoe Reorganization**”); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of the Washoe NewCo in exchange for (A) a promissory note in the amount of \$5,640,000 (the “**Washoe Promissory Note**”) to the members of Washoe that will be secured by a first-priority security interest over all of the assets of Washoe NewCo, (B) the issuance to the members of Washoe of an aggregate of 256,364 Exchangeable Shares with a deemed value of \$5,640,000 and (C) cash consideration in the amount of \$16,670,000, some of which will be used to pay debt and expenses of Washoe, as well as applicable taxes; (iii) Washoe and its members agreed to take all reasonable measures in good faith to secure the Washoe Consents, and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in Washoe or the retained assets to CSAC AcquisitionCo for nominal consideration; (iv) CSAC AcquisitionCo agreed to assume a member loan in the amount of approximately \$6.5 million and issue 13,636 Exchangeable Shares in the name of such member (the “**Washoe Lender**”); and (v) CSAC AcquisitionCo agreed to assume mortgage debt of approximately \$2.6 million in the aggregate, secured by real property owned by Washoe or its subsidiaries. 128,182 Exchangeable Shares issuable under the Washoe Agreement will be subject to a six-month post-closing lock-up period, and the other 128,182 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the Washoe Reorganization except for certain obligations with respect to obtaining necessary regulatory approval.

The Washoe Agreement contains pre-closing and post-closing covenants by each party (including a non-compete and non-solicit from each seller and their respective affiliates). Prior to closing, the parties agree to cooperate and use commercially reasonable efforts to complete each transaction and to secure the necessary consents, permits and regulatory approvals for closing, other than the Washoe Consents. Prior to the closing, Washoe will be required to be operated in the ordinary course of its business and take reasonable measures to comply with applicable NEO Exchange guidance regarding companies with U.S. marijuana-related activities. See “*NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities*” below. Meanwhile, CSAC agrees to file a prospectus with the OSC and the NEO Exchange and prepare a circular and shareholder meetings for all necessary approvals for each acquisition, as required by the NEO Exchange and applicable Canadian securities regulators. CSAC also agrees not to issue CSAC Class B Shares and rights to acquire any CSAC Class B Shares during the lock-up periods set forth in the previous paragraph, except for certain enumerated exceptions such as (i) the issuance of shares upon the exercise of CSAC Warrants or CSAC Rights outstanding on the closing date of the Washoe acquisition, (ii) shares in connection with a transaction or financing based on a value per share not less than the Maximum Discount to Market Price (within the meaning of the NEO Exchange Listing Manual, except that the reference to 20% therein will be read as 15%) or (iii) issuance of shares as executive compensation, provided that if CSAC Class B Shares are issued outside of these exceptions, the 6-month and 12-month lockup restrictions on the Exchangeable Shares will be reduced to four months and eight months, respectively. The lockup restrictions may also be eliminated if CSAC or CSAC AcquisitionCo undergo certain fundamental changes within the 12-month period following the closing, such as an amendment to its organizational documents to the detriment of the sellers, a change of the rights of any class of shares or a merger, liquidation or winding-up or certain transactions outside the ordinary course of business, including other acquisitions by any member of the CSAC corporate group exceeding the current annual budget of

such member by 20% or more. On closing, Washoe will grant to CSAC or its affiliates a five-year option to purchase the real property owned by affiliates of Washoe and used in the business of Washoe at fair market value. Additionally, CSAC agreed to issue additional Exchangeable Shares up to a year following the closing date in certain circumstances, subject to certain limitations. More specifically, if the Closing Price is less than C\$29.00 on: (i) the date that is 180 days after the closing date of the Washoe acquisition, a number of additional Exchangeable Shares may be issued to the sellers of Washoe so that the cumulative market value of the Exchangeable Shares issued to such persons with a 6-month lock-up period is equal to \$2,820,000 and a number of additional Exchangeable Shares may be issued to the Washoe Lender so that the cumulative market value of the Exchangeable Shares issued to the Washoe Lender with a 6-month lock-up period is equal to \$150,000 or (ii) the date that is 360 days after the closing date of the Washoe acquisition, a number of additional Exchangeable Shares may be issued to the sellers of Washoe so that the cumulative market value of the Exchangeable Shares issued to such persons with a 12-month lock-up period is equal to \$2,820,006 and a number of additional Exchangeable Shares may be issued to the Washoe Lender so that the cumulative market value of the Exchangeable Shares issued to the Washoe Lender with a 12-month lock-up period is equal to \$150,000. Under no circumstances may the total number of additional Exchangeable Shares to be issued under this make-whole provision exceed 10% of the total number of issued and outstanding Class B shares of the SPAC as of the Effective Date.

The Washoe Agreement contains customary closing conditions, including entry into employment agreements with key employees of Washoe, accuracy of representations and warranties, required approvals in connection with any permits, the attainment of required governmental and material third-party consents and the contemporaneous closing of CSAC's acquisition of Washoe with CSAC's acquisition with each of Sira, Canopy, LivFree and CannaPunch. Closing of the transaction contemplated in the Washoe Agreement is also conditioned on the contemporaneous closing of all but one of the other transactions contemplated by the Definitive Agreements and finalization of the terms of the Exchangeable Shares. Subject to his eligibility under applicable law and Neo Exchange regulations, Mark E. Pitchford will be appointed to the Resulting Issuer Board upon the closing of the Washoe acquisition and CSAC will commit to nominating him for election to the Resulting Issuer Board for so long as he holds at least 40% of the Exchangeable Shares (or CSAC Class B Shares issued upon conversion of his Exchangeable Shares) issued to him on the Effective Date.

In connection with the acquisition, CSAC has agreed to fund a bonus pool in the aggregate amount of up to \$5 million, to be awarded to employees and consultants of Washoe NewCo, and the amounts and timing of such bonuses to be granted thereunder shall be subject to the discretion of Mark E. Pitchford, as the sellers' representative. Additionally, CSAC AcquisitionCo will adopt or cause Washoe NewCo to adopt an annual bonus plan with payments equal to 20% of profits exceeding a budget established annually.

If CSAC AcquisitionCo is unable to complete the transactions contemplated under the Washoe Agreement, including without limitation the Washoe Reorganization, resulting in a loss of a material portion of the economic benefits from one or two of the retained licenses and associated inventory, the transfer of which is subject to the Washoe Consents, then at CSAC AcquisitionCo's option, the parties shall negotiate in good faith such amendments as are appropriate to provide for the exclusion of the related assets from the transactions contemplated by the transaction, in exchange for a reduction in the consideration that is equal to the estimated value of such excluded assets having regard to, among other things, their anticipated contribution to the overall cash flow target of such Target Business prepared in accordance with IFRS, provided that upon the transfer of the foregoing excluded assets to or for the benefit of CSAC AcquisitionCo or CSAC, such withheld or reduced portion of the original consideration, if any, shall become payable to the sellers as additional consideration.

In connection with the Washoe Reorganization, CSAC and its affiliates will be entering into certain agreements, including a license agreement and a management services agreement with Washoe in order to retain the benefit of the non-transferable permits and licenses that will remain in the hands of Washoe following the Washoe Reorganization, pending the necessary regulatory consents and approvals necessary to consummate the conveyance of Washoe or its retained assets to CSAC AcquisitionCo.

The Washoe Agreement may be terminated and the associated transactions may be abandoned prior to closing by the mutual written consent of parties thereto. The Washoe Agreement also contains an outside date of March 31, 2019, but may also be terminated prior to such date by one of the parties if the counterparty breaches a representation, warranty covenant or agreement contained therein. The Washoe Agreement may also be terminated if a governmental authority issues an order or takes any other action that enjoins or otherwise prohibits the transactions

contemplated therein, or if CSAC fails to contemporaneously close all but one of the other transactions contemplated by the Definitive Agreements.

LivFree Agreement

Pursuant to the LivFree Agreement, (i) LivFree and the members of LivFree agreed to contribute all of the assets of LivFree and its subsidiaries, except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the “**LivFree Consents**”), to a “NewCo” entity (“**LivFree NewCo**”) (the “**LivFree Reorganization**”); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of LivFree NewCo in exchange for (A) a promissory note in the amount of \$20,000,000 (the “**LivFree Promissory Note**”) to the members of LivFree that will be secured by a first-priority security interest over all of the assets of LivFree NewCo, (B) the issuance to the members of LivFree of an aggregate of 4,342,432 Exchangeable Shares with a deemed value of \$70,000,000 (approximately \$16.10 per Exchangeable Share) and (C) cash consideration in the amount of \$29,500,000, some of which will be used to pay debt and expenses of LivFree, as well as applicable taxes; and (iv) LivFree and its members agreed to take all reasonable measures in good faith to secure the LivFree Consents, and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in LivFree or the retained assets to CSAC AcquisitionCo for nominal consideration. 3,038,986 Exchangeable Shares issuable under the LivFree Agreement will be subject to a six-month post-closing lock-up period, and the other 1,303,446 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the LivFree Reorganization except for certain obligations with respect to obtaining necessary regulatory approval.

The LivFree Agreement contains pre-closing and post-closing covenants by each party (including a non-compete and non-solicit from each seller and their respective affiliates). An exclusion from the non-compete was negotiated for one seller to continue his competing cannabis business in Nevada, subject to CSAC receiving a right of first refusal to acquire such business when sold. Prior to closing, the parties agree to cooperate and use commercially reasonable efforts to complete each transaction and to secure the necessary consents, permits and regulatory approvals for closing, other than the LivFree Consents. Prior to the closing, LivFree will be required to be operated in the ordinary course of its business and take reasonable measures to comply with applicable NEO Exchange guidance regarding companies with U.S. marijuana-related activities. See “*NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities*” below. Meanwhile, CSAC agrees to file a prospectus with the OSC and the NEO Exchange and prepare a circular and shareholder meetings for all necessary approvals for each acquisition, as required by the NEO Exchange and applicable Canadian securities regulators. CSAC also agrees not to issue CSAC Class B Shares and rights to acquire any CSAC Class B Shares during the lock-up periods set forth in the previous paragraph, except for certain enumerated exceptions such as (i) the issuance of shares upon the exercise of CSAC Warrants or CSAC Rights outstanding on the closing date of the LivFree acquisition, (ii) shares in connection with a transaction or financing based on a value per share not less than the Maximum Discount to Market Price (within the meaning of the NEO Exchange Listing Manual, except that the reference to 20% therein will be read as 15%) or (iii) issuance of shares as executive compensation, provided that if CSAC Class B Shares are issued outside of these exceptions, the 6-month and 12-month lockup restrictions on the Exchangeable Shares will be reduced to four months and eight months, respectively. The lockup restrictions may also be eliminated if CSAC or CSAC AcquisitionCo undergo certain fundamental changes within the 12-month period following the closing, such as an amendment to its organizational documents to the detriment of the sellers, a change of the rights of any class of shares or a merger, liquidation or winding-up or certain transactions outside the ordinary course of business, including other acquisitions by any member of the CSAC corporate group exceeding the current annual budget of such member by 20% or more. On closing, LivFree will grant to CSAC or its affiliates a five-year option to purchase the real property owned by affiliates of LivFree and used in the business of LivFree at fair market value.

The LivFree Agreement contains customary closing conditions, including entry into employment agreements with key employees of LivFree, accuracy of representations and warranties, required approvals in connection with any permits, the attainment of required governmental and material third-party consents and the contemporaneous closing of CSAC’s acquisition of LivFree with CSAC’s acquisition of each of Sira, Canopy, Washoe and CannaPunch. Closing of the transaction contemplated in the LivFree Agreement is also conditioned on the contemporaneous closing of all but one of the other transactions contemplated by the Definitive Agreements and finalization of the terms of the Exchangeable Shares. Subject to his eligibility under applicable law and NEO Exchange regulations,

Steve Menzies will be appointed to the Resulting Issuer Board upon the closing of the LivFree acquisition and CSAC will commit to nominating him for election to the Resulting Issuer Board for so long as he holds at least 40% of the Exchangeable Shares (or CSAC Class B Shares issued upon conversion of his Exchangeable Shares) issued to him on the Effective Date.

If CSAC AcquisitionCo is unable to complete the transactions contemplated under the LivFree Agreement, including without limitation the LivFree Reorganization, resulting in a loss of a material portion of the economic benefits from one or two of the retained licenses and associated inventory, the transfer of which is subject to the LivFree Consents, then at CSAC AcquisitionCo's option, the parties shall negotiate in good faith such amendments as are appropriate to provide for the exclusion of the related assets from the transactions contemplated by the transaction, in exchange for a reduction in the consideration that is equal to the estimated value of such excluded assets having regard to, among other things, their anticipated contribution to the overall 2019 cash flow target of such Target Business prepared in accordance with IFRS, provided that upon the transfer of the foregoing excluded assets to or for the benefit of CSAC AcquisitionCo or CSAC, such withheld or reduced portion of the original consideration, if any, shall become payable to the sellers as additional consideration.

The by-laws of Henderson, Nevada currently prohibit public company ownership of cannabis operations located in Henderson. Accordingly, unless such by-laws are changed, CSAC will not be able to acquire LivFree's Henderson operations or any interest therein. The LivFree Agreement contains a mechanism for excluding the acquisition of LivFree's Henderson operations from the scope of the LivFree Agreement, along with a concomitant reduction of the purchase price for LivFree, which will be triggered in the event that Henderson's by-laws continue to prohibit public company ownership of cannabis operations located in Henderson at the time of closing of the Transaction. CSAC understands that the City of Henderson's municipal code may be amended to allow public company ownership of cannabis operations located in the City of Henderson jurisdiction in the near-to-medium term, though no such amendments can be assured and, accordingly, the Henderson location may need to be excluded from the Transaction.

In connection with the LivFree Reorganization, CSAC and its affiliates will be entering into certain agreements, including a license agreement and a management services agreement with LivFree in order to retain the benefit of the non-transferable permits and licenses that will remain in the hands of LivFree following the LivFree Reorganization, pending the necessary regulatory consents and approvals necessary to consummate the conveyance of LivFree or its retained assets to CSAC AcquisitionCo.

The LivFree Agreement may be terminated and the associated transactions may be abandoned prior to closing by the mutual written consent of parties thereto. The LivFree Agreement also contains an outside date of March 31, 2019, but may also be terminated prior to such date by one of the parties if the counterparty breaches a representation, warranty covenant or agreement contained therein. The LivFree Agreement may also be terminated if a governmental authority issues an order or takes any other action that enjoins or otherwise prohibits the transactions contemplated therein, or if CSAC fails to contemporaneously close all but one of the other transactions contemplated by the Definitive Agreements.

Cannapunch Agreement

Pursuant to the Cannapunch Agreement, (i) Cannapunch and the members of Cannapunch agreed to contribute all of the assets of Cannapunch and its subsidiaries, except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the "**Cannapunch Consents**"), to a "NewCo" entity ("**Cannapunch NewCo**") (the "**Cannapunch Reorganization**"); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of Cannapunch NewCo in exchange for (A) a promissory note in the amount of \$2,000,000 (the "**Cannapunch Promissory Note**") to the members of Cannapunch that will be secured by a first-priority security interest over all of the assets of Cannapunch NewCo, (B) the issuance to the members of Cannapunch of an aggregate of 866,668 Exchangeable Shares with a deemed value of \$14,000,000 and (C) cash consideration in the amount of \$750,000, some of which will be used to pay debt and expenses of Cannapunch, as well as applicable taxes; and (iii) Cannapunch and its members agreed to take all reasonable measures in good faith to secure the Cannapunch Consents and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in Cannapunch or the retained assets to CSAC AcquisitionCo for nominal consideration. 433,334 Exchangeable Shares issuable under the Cannapunch Agreement will be subject to a six-month post-closing lock-up period, and the other 433,334 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period.

Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the Cannapunch Reorganization except for certain obligations with respect to obtaining necessary regulatory approval.

The Cannapunch Agreement contains pre-closing and post-closing covenants by each party (including a non-compete and non-solicit from each seller and their respective affiliates). Prior to closing, the parties agree to cooperate and use commercially reasonable efforts to complete each transaction and to secure the necessary consent, permits and regulatory approvals for closing, other than the Cannapunch Consents. Prior to the closing, Cannapunch will be required to be operated in the ordinary course of its business and take reasonable measures to comply with applicable NEO Exchange guidance regarding companies with U.S. marijuana-related activities. See “*NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities*” below. Meanwhile, CSAC agrees to file a prospectus with the OSC and the NEO Exchange and prepare a circular and shareholder meetings for all necessary approvals for each acquisition, as required by the NEO Exchange and applicable Canadian securities regulators. CSAC also agrees not to issue CSAC Class B Shares and rights to acquire any CSAC Class B Shares during the lock-up periods set forth in the previous paragraph except for certain enumerated exceptions such as (i) the issuance of shares upon the exercise of CSAC Warrants or CSAC Rights outstanding on the closing date of the Cannapunch acquisition, (ii) shares in connection with a transaction or financing based on a value per share not less than the Maximum Discount to Market Price (within the meaning of the NEO Exchange Listing Manual, except that the reference to 20% therein will be read as 15%) or (iii) issuance of shares as executive compensation, provided that if CSAC Class B Shares are issued outside of these exceptions, the 6-month and 12-month lockup restrictions on the Exchangeable Shares will be reduced to four months and eight months, respectively. The lockup restrictions may also be eliminated if CSAC or CSAC AcquisitionCo undergo certain fundamental changes within the 12-month period following the closing, such as an amendment to its organizational documents to the detriment of the sellers, a change of the rights of any class of shares or a merger, liquidation or winding-up or certain transactions outside the ordinary course of business, including other acquisitions by any member of the CSAC corporate group exceeding the current annual budget of such member by 20% or more. On closing, Cannapunch will grant to CSAC or its affiliates (i) a five-year option to purchase the real property owned by affiliates of Cannapunch and used in the business of Cannapunch at fair market value and (ii) a license to use the Cannapunch name in all jurisdictions other than in the State of Colorado.

The Cannapunch Agreement contains customary closing conditions, including entry into employment agreements with key employees of Cannapunch, accuracy of representations and warranties, required approvals in connection with any permits, the attainment of required governmental and material third-party consents and the contemporaneous closing of CSAC’s acquisition of CannaPunch with CSAC’s acquisition with each of Sira, Washoe, Canopy and LivFree. Closing of the transaction contemplated in the Cannapunch Agreement is also conditioned on the contemporaneous closing of all but one of the other transactions contemplated by the Definitive Agreements and finalization of the terms of the Exchangeable Shares. Subject to his continued eligibility under applicable law and exchange regulations, Mark Smith will continue on the Resulting Issuer Board upon the closing of the Cannapunch acquisition and CSAC will commit to nominating him for election to the Resulting Issuer Board for so long as he holds at least 40% of the Exchangeable Shares (or CSAC Class B Shares issued upon conversion of his Exchangeable Shares) issued to him on the Effective Date.

If CSAC AcquisitionCo is unable to complete the transactions contemplated under the Cannapunch Agreement, including without limitation the Cannapunch Reorganization, resulting in a loss of a material portion of the economic benefits from one or two of the retained licenses and associated inventory, the transfer of which is subject to the Cannapunch Consents, then at CSAC AcquisitionCo’s option, the parties shall negotiate in good faith such amendments as are appropriate to provide for the exclusion of the related assets from the transactions contemplated by the transaction, in exchange for a reduction in the consideration that is equal to the estimated value of such excluded assets having regard to, among other things, their anticipated contribution to the overall cash flow target of such Target Business prepared in accordance with IFRS, provided that upon the transfer of the foregoing excluded assets to or for the benefit of CSAC AcquisitionCo or CSAC, such withheld or reduced portion of the original consideration, if any, shall become payable to the sellers as additional consideration.

In connection with the Cannapunch Reorganization, CSAC and its affiliates will be entering into certain agreements, including a license agreement and a management services agreement with Cannapunch in order to retain the benefit

of the non-transferable permits and licenses that will remain in the hands of Cannapunch following the Cannapunch Reorganization, pending the necessary regulatory consents and approvals necessary to consummate the conveyance of Cannapunch or its retained assets to CSAC AcquisitionCo.

The Cannapunch Agreement may be terminated and the associated transactions may be abandoned prior to closing by the mutual written consent of parties thereto. The Cannapunch Agreement also contains an outside date of March 31, 2019, but may also be terminated prior to such date by one of the parties if the counterparty breaches a representation, warranty covenant or agreement contained therein. The Cannapunch Agreement may also be terminated if a governmental authority issues an order or takes any other action that enjoins or otherwise prohibits the transactions contemplated therein, or if CSAC fails to contemporaneously close all but one of the other transactions contemplated by the Definitive Agreements.

Excessive Shareholder Redemptions of CSAC Class A Restricted Voting Shares

The sellers in each of the Definitive Agreements agree that if excessive shareholder redemptions of the CSAC Class A Restricted Voting Shares occur in connection with the above-noted acquisitions such that CSAC AcquisitionCo will not have access to sufficient funds to pay the cash portion of the purchase under any of the Definitive Agreements (and such funds cannot be adequately replaced by other financing), a portion of such cash deficiency may be replaced, on a pro rata basis among the separate acquisitions based on the relative cash portions of consideration in each transaction, by the issuance of additional CSAC AcquisitionCo Exchangeable Shares to the sellers, at an issuance price of: (i) \$15.91 per share in respect of the Sira Agreement; (ii) C\$22.00 per share in respect of the Canopy Agreement; (iii) C\$22.00 in respect of the Washoe Agreement; (iv) C\$21.00 per share in respect of the LivFree Agreement; and (v) C\$21.00 in respect of the CannaPunch Agreement. The Sira Agreement may be terminated at the option of the sellers thereto if such a replacement is made.

NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities

Subject to satisfactory compliance with all listing requirements set out in the NEO Exchange Listing Manual and the additional items reflected below, the NEO Exchange currently accepts the listing of companies established and/or holding assets in the U.S. with marijuana-related activities, provided such activities are conducted in compliance with the current laws and regulations of a U.S. State where such activities are legal.

In addition to the listing requirements in the NEO Exchange Listing Manual, which include the standard requirements for timely and accurate disclosure as defined by the Canadian Securities Administrators and as further enhanced by their specific disclosure requirements set out in Staff Notice 51-352, the NEO Exchange expects issuers with U.S. marijuana-related activities, among other things, to: (i) undertake that they are respecting and will continue to respect, within the realm of their control, the U.S. Department of Justice marijuana enforcement priorities as they were defined in the now-rescinded Cole Memorandum (see “*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*”); and (ii) undertake that they are neither importing nor exporting marijuana to or from the United States. CSAC intends to seek to cause its subsidiaries to comply with the NEO Exchange requirements.

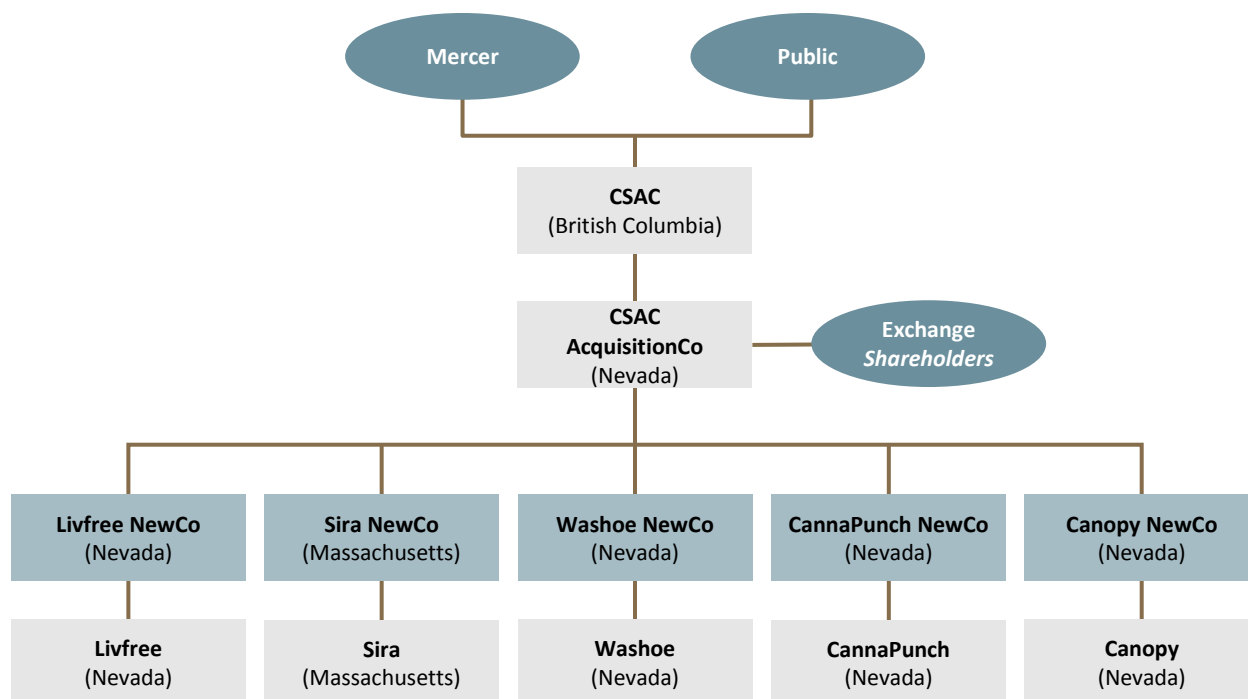
CSAC

Following the closing of the acquisition of each of the Target Businesses, CSAC would indirectly own 100% of the Target Businesses, subject to the terms of the Definitive Agreements. See “*Description of the Business of CSAC*” and “*Risk Factors*”.

The head office of CSAC will be located at 590 Madison Avenue, 26th Floor, New York, New York, 10022. CSAC will be a reporting issuer in all of the provinces and territories of Canada, other than Quebec.

Inter-Corporate Relationships

The organizational chart below indicates the proposed inter-corporate relationships of CSAC and its material subsidiaries, including their jurisdiction of incorporation in parentheses, after giving effect to the Transaction.



Undertakings to Canadian Securities Regulators

CSAC has provided an undertaking to the Canadian securities regulators that:

- (a) in complying with its reporting issuer obligations, CSAC will treat each of its operating entities (within the meaning of National Policy 41-201 – Income Trusts and Other Indirect Offerings) as a subsidiary of CSAC; however, if the generally accepted accounting principles used by CSAC prohibit the consolidation of financial information of the operating entity and CSAC, then for as long as the operating entity (including any of its significant business interests) represents a significant asset of CSAC, CSAC will provide its shareholders with separate audited annual financial statements and interim financial reports, prepared in accordance with the same generally accepted accounting principles as CSAC’s financial statements, and related management’s discussion and analysis, prepared in accordance with NI 51-102 or its successor, for the operating entity (including information about any of its significant business interests); and
- (b) CSAC will annually certify that it has complied with this undertaking, and file the certificate on SEDAR concurrently with the filing of its annual financial statements.

Target Promissory Notes

The Sira Promissory Note will be issued by CSAC AcquisitionCo in favor of Green Partners Lender I LLC (“**GP Lender**”) in the principal amount of \$5,000,000, with interest only payments during the first eighteen (18) months. The Sira Promissory Note will be secured by a first priority lien on Sira’s assets; provided however, that GP Lender will agree to subordinate the priority of such lien (but not GP Lender’s right to payment under the Sira Promissory Note) to any “asset” lien granted by Sira to any lender of funds for the construction of the Sira New Grow Facility, provided that such lender is not a “related person” (as such term is defined in the Sira Agreement) of CSAC or its officers or directors, and the GP Lender agrees that it may not initiate any proceeding to enforce the Sira Promissory Note without giving 180 days’ prior written notice to such lender.

The Canopy Promissory Note will be a three-year promissory note issued by CSAC AcquisitionCo in favor of Canopy in the principal amount of \$4,500,000, bearing interest at 6% per annum. The Canopy Promissory Note will be guaranteed by CSAC and secured by a first priority lien (subject to the immediately following sentence) on all or substantially all of the assets of Canopy NewCo (including the Canopy Target Businesses, except for certain

retained licenses and associated inventory that are subject to the Canopy Consents). Such security interest of Canopy will be subordinated only to the \$400,000 principal amount of indebtedness owing by Canopy pursuant to a tenant incentive loan, which is being assumed by CSAC, and any bona fide senior bank credit facility of CSAC, CSAC AcquisitionCo or Canopy Newco from time to time, provided that the provider or issuer of any senior bank credit facility is not an “affiliate” (as such term is defined in the Canopy Agreement) of CSAC or CSAC AcquisitionCo, nor any of their respective owners, directors, officers, managers, or employees.

The Washoe Promissory Note will be a three-year promissory note issued by CSAC AcquisitionCo in favor of the members of Washoe in the principal amount of \$5,640,000, bearing interest at 6% per annum. The Washoe Promissory Note will be guaranteed by CSAC and secured by a first priority lien (subject to the immediately following sentence) on all or substantially all of the assets of Washoe NewCo (including all of the assets of Washoe and its subsidiaries, except for certain retained licenses and associated inventory that are subject to the Washoe Consents). Such security interest of the members of Washoe will be subordinated only to the \$6,561,818.38 principal amount of indebtedness owing by Washoe to JOCHCO Investments, LLC, a Nevada limited liability company, which is being assumed by CSAC, and any bona fide senior bank credit facility of CSAC, CSAC AcquisitionCo or Washoe Newco from time to time and also the approximate \$2,400,000 principal amount of indebtedness secured by real property located at 1645 Crane Way, Sparks, Nevada and the approximate \$200,000 principal amount of indebtedness secured by real property located 16735 Renewable Way, Reno, Nevada; provided that the provider or issuer of any senior bank credit facility is not an “affiliate” (as such term is defined in the Washoe Agreement) of CSAC or CSAC AcquisitionCo, nor any of their respective owners, directors, officers, managers, or employees.

The LivFree Promissory Note will be a five-year promissory note issued by CSAC AcquisitionCo in favor of the members of LivFree, in the principal amount of \$20,000,000, bearing interest at 6% per annum. The LivFree Promissory Note will be guaranteed by CSAC and secured by a first priority lien (subject to the immediately following sentence) on the assets of LivFree NewCo (including all of the assets of LivFree and its subsidiaries, except for certain retained licenses, associated inventory and membership interests in JDSS Investments, LLC that are each subject to the LivFree Consents). Such security interest of the members of LivFree will be subordinated to any bona fide senior bank credit facility of CSAC, CSAC AcquisitionCo or LivFree Newco from time to time, provided that the provider or issuer of such senior bank credit facility is not an “affiliate” (as such term is defined in the LivFree Agreement) of the CSAC or CSAC AcquisitionCo, nor any of their respective owners, directors, officers, managers, or employees.

The Cannapunch Promissory Note will be a five-year promissory note issued by CSAC AcquisitionCo in favor of the sellers of Cannapunch, in the principal amount of \$2,000,000, bearing interest at 6% per annum. The Cannapunch Promissory Note will be guaranteed by CSAC and secured by a first priority lien (subject to the immediately following sentence) on the assets of Cannapunch NewCo (including all of the assets of Cannapunch and its subsidiaries, except for certain retained licenses and associated inventory that are subject to the Cannapunch Consents). Such security interest of the sellers of Cannapunch will be subordinated to any bona fide senior bank credit facility of CSAC, CSAC AcquisitionCo or Cannapunch Newco from time to time, provided that the provider or issuer of such senior bank credit facility is not an “affiliate” (as such term is defined in the Cannapunch Agreement) of the CSAC or CSAC AcquisitionCo, nor any of their respective owners, directors, officers, managers, or employees.

For each of the Target Promissory Notes, excluding the Sira Promissory Note, if an indemnification payment due under the respective Definitive Agreement has not been made by the respective seller(s) within 10 business days after it is finally agreed or determined by an arbitration panel or a court, as applicable, to be owing to CSAC AcquisitionCo pursuant to the terms of such Definitive Agreement, CSAC AcquisitionCo will be entitled to set-off against any amount or obligation CSAC AcquisitionCo owes to such seller(s) under the respective Target Promissory Note. Any such set-off will be accomplished by written notice to the seller(s), specifying in reasonable detail the basis for such set-off. If CSAC AcquisitionCo and the respective NewCo have not received all cannabis license approvals by the maturity date of the respective Target Promissory Note, and CSAC or CSAC AcquisitionCo has made a claim for indemnification based on a breach by the seller(s) of any of the covenants under the respective Definitive Agreement or any of the agreements and other documents referenced therein or otherwise relating to the respective reorganization relating to such Target Business, then repayment of the principal amount under such Target Promissory Note will be postponed until the date that the indemnification claim is finally settled. The amount

of principal repayment to be postponed will be equal to the lesser of the amount of the indemnification claim and the principal amount under such Target Promissory Note and the payment of interest on this amount will be suspended during the postponement.

Warrant Agreement

All CSAC Warrants will become exercisable only commencing 65 days after the completion of CSAC's qualifying transaction (which is expected to consist of the Transaction). Each CSAC Warrant is exercisable to purchase one CSAC Class A Restricted Voting Share (which, following the closing of the qualifying transaction, will become one CSAC Class B Share) at a price of C\$11.50 per share, subject to the following adjustments. The Warrant Agreement provides that the exercise price and number of CSAC Class B Shares issuable on exercise of the CSAC Warrants may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend or a recapitalization, reorganization, merger or consolidation. The CSAC Warrants will not, however, be adjusted for issuances of CSAC Class B Shares at a price below their exercise price. Once the CSAC Warrants become exercisable, CSAC may accelerate the expiry date of the outstanding CSAC Warrants (excluding the CSAC Founders' Warrants but only to the extent still held by Mercer at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by Mercer of material undisclosed information which could limit their flexibility) by providing 30 days' notice if, and only if, the closing share price of the CSAC Class B Shares equals or exceeds C\$18.00 per CSAC Class B Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided.

The exercise of the CSAC Warrants by any holder in the United States, or that is a U.S. Person, may only be effected in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable state "blue sky" securities laws.

The right to exercise will be forfeited unless the CSAC Warrants are exercised prior to the date specified in the notice of acceleration of the expiry date. On and after the accelerated expiry date, a record holder of a CSAC Warrant will have no further rights. CSAC Warrants may be exercised only for a whole number of shares. No fractional shares will be issued upon exercise of the CSAC Warrants. If, upon exercise of the CSAC Warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number of shares to be issued to the CSAC Warrant holder.

The CSAC Warrant holders do not have the rights or privileges of holders of shares and any voting rights until they exercise their CSAC Warrants and receive corresponding CSAC Class B Shares. After the issuance of corresponding CSAC Class B Shares upon exercise of the CSAC Warrants, each holder will be entitled to one vote for each CSAC Class B Share held of record on all matters to be voted on by shareholders. On the exercise of any CSAC Warrant, the CSAC Warrant exercise price will be C\$11.50, subject to adjustments as described herein.

The Warrant Agreement contemplates that the CSAC Warrants may be exercised through cashless exercise. A cashless exercise permits a CSAC Warrant Holder, in lieu of making a cash payment on exercise, to instead elect to surrender the CSAC Warrant Holder's CSAC Warrants and to receive the number of shares in the capital of CSAC for which the CSAC Warrants are conferred the right to acquire, that is equal to the quotient obtained by multiplying (i) the number of shares for which the CSAC Warrant is being exercised by (ii) the difference between (A) the volume weighted average price of the Resulting Issuer Shares trading on the NEO Exchange for the 20 trading days immediately prior to (but not including) the date of exercise of the CSAC Warrant and (B) the exercise price in effect on the date immediately prior to (but not including) the date of exercise of the CSAC Warrant, and dividing such product by the volume weighted average price of the CSAC Class A Restricted Voting Shares trading on the NEO Exchange for the 20 trading days immediately prior to (but not including) the date of exercise of the CSAC Warrant (the "**Cashless Exercise**").

The Warrant Agent shall, on receipt of a written request of CSAC or holders of not less than 25% of the aggregate number of CSAC Warrants then outstanding, convene a meeting of holders of CSAC Warrants upon at least 21 calendar days' written notice to holders of CSAC Warrants. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Warrant Agent. A quorum at meetings of holders of

CSAC Warrants shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of CSAC Warrants then outstanding.

From time to time, CSAC and the Warrant Agent, without the consent of the holders of CSAC Warrants, may amend or supplement the Warrant Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of CSAC Warrants. Any amendment or supplement to the Warrant Agreement that adversely affects the interests of the holders of CSAC Warrants may only be made by an “extraordinary resolution”, which is defined in the Warrant Agreement as a resolution either (i) passed at a meeting of the holders of CSAC Warrants by the affirmative vote of holders of CSAC Warrants representing not less than two-thirds of the aggregate number of the then outstanding CSAC Warrants represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of CSAC Warrants representing not less than two-thirds of the aggregate number of the then outstanding CSAC Warrants.

The CSAC Warrants will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of the qualifying transaction of CSAC (which is expected to consist of the Transaction) or may expire earlier if a qualifying transaction does not occur by July 19, 2019, or if the expiry date is accelerated, as described above.

Rights Agreement

Each CSAC Right entitles the holder to receive, for no additional consideration, commencing upon the closing of the Transaction, one-tenth (1/10) of a Resulting Issuer Share, subject to adjustment under the terms of the Rights Agreement. In order to effect such a conversion, the holder of any CSAC Rights must surrender to the Rights Agent the certificates or electronic positions representing the CSAC Rights held by the holder, together with a duly completed conversion form in form and manner satisfactory to the CSAC Rights Agent pursuant to the terms of the Rights Agreement.

CSAC Rights will only be converted for a whole number of shares. No fractional shares will be issued upon conversion of the CSAC Rights. If, upon conversion of the CSAC Rights, a holder would be entitled to receive a fractional interest in a share, we will, upon conversion, round down to the nearest whole number of shares to be issued to the CSAC Right holder. As a result, holders must hold CSAC Rights in multiples of 10 in order to receive Class B Shares for all of his, her or its CSAC Rights following the closing of the qualifying transaction.

The CSAC Rights will expire if a qualifying transaction does not occur within the required timeframe. The CSAC Rights will not possess any redemption or distribution rights. The CSAC Rights will expire and be worthless if CSAC fails to consummate its qualifying transaction by July 19, 2019. Any CSAC Right that has not been converted within two (2) years after the completion of CSAC’s qualifying transaction shall be null and void.

All CSAC Rights are excluded from voting in respect of CSAC’s qualifying transaction. Holders of CSAC Rights will retain such CSAC Rights whether they vote for, against or do not vote any CSAC Class A Restricted Voting Shares in respect of CSAC’s qualifying transaction and whether or not they redeem all or a portion of such shares.

The Rights Agreement will provide that the number of CSAC Class B Shares issuable on conversion of the CSAC Rights may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend, recapitalization, reorganization, merger or consolidation. The CSAC Rights Agreement also provides the mechanism pursuant to which holders of CSAC Rights, including beneficial holders of CSAC Rights held through CDS, or its nominee, may convert his, her or its CSAC Rights following the closing of CSAC’s qualifying transaction.

CSAC Rights holders do not have the rights or privileges of holders of shares or any voting rights until the CSAC Rights are converted following the closing of the qualifying transaction and such holders receive corresponding CSAC Class B Shares. After the issuance of the corresponding CSAC Class B Shares upon conversion of the CSAC Rights, each holder is expected to be entitled to one vote for each CSAC Class B Share held of record on all matters to be voted on by shareholders.

The Rights Agent shall, on receipt of a written request of CSAC or holders of not less than 25% of the aggregate number of CSAC Rights then outstanding, convene a meeting of holders of CSAC Rights upon at least 21 calendar days’ written notice to holders of CSAC Rights. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Rights Agent. A quorum at meetings of holders of CSAC

Rights shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of CSAC Rights then outstanding.

From time to time, CSAC and the Rights Agent, without the consent of the holders of CSAC Rights, may amend or supplement the Rights Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of CSAC Rights. Any amendment or supplement to the Rights Agreement that adversely affects the interests of the holders of CSAC Rights may only be made by an “extraordinary resolution”, which is defined in the Rights Agreement as a resolution either (i) passed at a meeting of the holders of CSAC Rights by the affirmative vote of holders of CSAC Rights representing not less than two-thirds of the aggregate number of the then outstanding CSAC Rights represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of CSAC Rights representing not less than two-thirds of the aggregate number of the then outstanding CSAC Rights.

CSAC Rights may only be converted by U.S. Persons who are Qualified Institutional Buyers or accredited investors or where CSAC has otherwise availed itself of an exemption from registration under the U.S. Securities Act.

Exchangeable Shares and Exchange Rights Agreements

The terms of the Exchange Rights Agreement, Support Agreement and Exchangeable Share Provisions (each as defined below), as summarized below, are currently being negotiated and are subject to change.

For tax reasons, rather than receiving Resulting Issuer Shares of CSAC, the sellers of the Target Businesses will receive Exchangeable Shares of CSAC AcquisitionCo as part of their consideration.

Broadly speaking, the Exchangeable Shares will entitle their holders to dividends and other rights that are, as nearly as practical, economically equivalent (without taking into account tax consequences) to those rights attaching to the CSAC Class B Shares. Until its Exchangeable Shares are exchanged for CSAC Class B Shares pursuant to the Exchange Rights Agreements, or the Exchangeable Share Provisions, holders of Exchangeable Shares will not have the right to vote at meetings of Resulting Issuer Shareholders or at meetings of the shareholders of CSAC AcquisitionCo, except that they may vote at meetings of the shareholders of CSAC AcquisitionCo with respect to altering the rights of holders of Exchangeable Shares, or if CSAC AcquisitionCo decides to take certain actions without fully protecting the holders of Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares will be exchangeable at any time, on a one-for-one basis, for CSAC Class B Shares at the option of the holder, subject to certain contractual lock-up restrictions. In the event that the Multiple Voting Share proposal is effected, the Exchangeable Shares will be instead be exchangeable, on the same basis and subject to the same contractual lock-up restrictions, for Subordinate Voting Shares at the option of the holder. Certain ancillary rights, as further described below, will be provided to the holders of the Exchangeable Shares pursuant to the terms of the Exchange Rights Agreements.

Exchangeable Share Procedures

In connection with each Definitive Agreement, at the Effective Date, CSAC will enter into the corresponding Support Agreement as well as the exchange rights agreements with CSAC AcquisitionCo and the holders of the Exchangeable Shares (an “**Exchange Rights Agreement**”, and collectively, the “**Exchange Rights Agreements**”) for the benefit of the sellers under each Definitive Agreement, whereby CSAC has agreed to make certain covenants in favor of the sellers to protect their rights as holders of Exchangeable Shares. CSAC agrees to reserve an amount of Resulting Issuer Shares for issuance upon exchange of the Exchangeable Shares, and ensure such shares remain protected from pre-emptive and other rights. Upon notice to CSAC and CSAC AcquisitionCo, CSAC will issue such number of Resulting Issuer Shares to a holder of Exchangeable Shares in exchange for the Exchangeable Shares of such holder, subject to the terms specified in the Exchange Rights Agreements. Additionally, CSAC has an overriding liquidation call right under the Exchange Rights Agreements to purchase all, but not less than all, of the Exchangeable Shares from the holders thereof upon a proposed liquidation, dissolution or winding-up of CSAC AcquisitionCo, as well as a redemption call right and retraction call right on the Exchangeable Shares, in each case for the consideration set forth in such agreements.

General

The Exchangeable Shares, together with the Ancillary Rights (as defined below), are intended to be economically equivalent to the CSAC Class B Shares. The dividends and other rights attaching to the Exchangeable Shares, together with the Ancillary Rights, are designed to place holders of Exchangeable Shares, as nearly as practicable, in the same economic position as holders of CSAC Class B Shares, except that the holders of Exchangeable Shares will have no right to vote as shareholders of CSAC AcquisitionCo or Resulting Issuer Shareholders, except as described in this prospectus. As used in this prospectus, a reference to the phrase “economic equivalence” (or words to similar effect) between the Exchangeable Shares and the CSAC Class B Shares does not take into account any tax implications or different tax treatment with respect to the Exchangeable Shares and the CSAC Class B Shares, which vary depending upon each holder, such holder’s residence for tax purposes and the residence of the paying company.

The ancillary rights, consisting of the Automatic Exchange Right (as defined below) and the Exchangeable Shareholders’ Put Right (as defined below) (collectively, the “**Ancillary Rights**”), are rights established for the benefit of the holders of Exchangeable Shares pursuant to the Exchange Rights Agreements and are intended to ensure that such holders have the right to receive CSAC Class B Shares in the event of: (i) a Liquidation Event (as defined below) (by the operation of the Automatic Exchange Right); or (ii) an Insolvency Event (as defined below) (by the operation of the Exchangeable Shareholders’ Put Right).

In connection with the issuance of the Exchangeable Shares, call rights are provided in favour of CSAC, which are triggered in certain circumstances. The call rights, consisting of the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right (in each case, as defined below) (collectively, the “**Call Rights**”), are rights established in favour of CSAC to allow it to purchase Exchangeable Shares: (i) in the event of the liquidation, dissolution or winding-up of CSAC AcquisitionCo (by the operation of the Liquidation Call Right); or (ii) that would otherwise be redeemed by CSAC AcquisitionCo (by the operation of the Redemption Call Right or the Retraction Call Right). The consideration received by a holder of Exchangeable Shares will be the same whether such holder’s Exchangeable Shares are redeemed by CSAC AcquisitionCo or purchased by CSAC.

Voting and Dividend Rights

Holders of Exchangeable Shares will not be entitled to vote at any meeting of the Resulting Issuer Shareholders or on any matter or resolution otherwise submitted by CSAC to its shareholders. Also, the Exchangeable Shares will have no voting rights in CSAC AcquisitionCo, except that they may vote at meetings of the shareholders of CSAC AcquisitionCo with respect to altering the rights of holders of Exchangeable Shares, or if CSAC AcquisitionCo decides to take certain actions without fully protecting the holders of Exchangeable Shares, or as otherwise required by law.

Holders of Exchangeable Shares will be entitled to receive, subject to applicable law, dividends economically equivalent to all dividends paid on the Resulting Issuer Shares. The Support Agreement will restrict CSAC from declaring or paying dividends on the Resulting Issuer Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. Cash dividends on the Exchangeable Shares are payable in an amount equal to and in the currency of the corresponding cash dividend payable on CSAC Class B Shares, or the U.S. dollar equivalent. Stock dividends declared on the CSAC Class B Shares to be paid in CSAC Class B Shares will be satisfied for each Exchangeable Share by the issue or transfer of such number of Exchangeable Shares as is equal to the number of CSAC Class B Shares to be paid on each CSAC Class B Share (or by way of an economically equivalent stock split). Dividends declared on CSAC Class B Shares in property other than cash or CSAC Class B Shares will be satisfied by such type and amount of property for each Exchangeable Share as is the same as, or economically equivalent to, the type and amount of property declared as a dividend on each CSAC Class B Share. The declaration date, record date and payment date for dividends on the Exchangeable Shares will be the same as the relevant date for the corresponding dividends on the CSAC Class B Shares.

The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend or distribution declared on the Exchangeable Shares shall be the same dates as the record date and payment date, respectively, for the corresponding dividend or distribution declared on the CSAC Class B Shares.

Any dividend which should have been declared or paid on the Exchangeable Shares but was not so declared or paid due to the provisions of applicable law shall be declared and paid by CSAC AcquisitionCo as soon as payment of such dividend is permitted by such law.

If, on any payment date for any dividends or distributions declared on the Exchangeable Shares, the dividends or distributions are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends or distributions that remain unpaid shall be paid on the first subsequent date or dates determined by the CSAC AcquisitionCo board of directors on which CSAC AcquisitionCo shall have sufficient moneys, assets or other property properly applicable to the payment of such dividend or distribution.

The CSAC AcquisitionCo board of directors shall determine, in good faith and acting reasonably (with the assistance of such reputable and qualified independent financial advisors and/or other experts as it may require), economic equivalence for these purposes, and shall provide the Exchangeable Shareholders with a copy of a written determination of economic equivalence and the underlying calculations supporting such determination and the final version of any written report provided by such financial advisors and/or other experts supporting such determination, if requested. For greater certainty, the CSAC AcquisitionCo board of directors shall not be under any obligation to procure any such assistance in support of their determination of economic equivalence for these purposes.

Ranking and Liquidation Rights

Except for the exchange features and related rights of the Exchangeable Shares and the fact that the Exchangeable Shares are non-voting (except as described in this prospectus), the Exchangeable Shares rank pari passu with the CSAC AcquisitionCo common shares. Subject to applicable law and the due exercise by CSAC of its Liquidation Call Right, in the event of the liquidation, dissolution or winding-up of CSAC AcquisitionCo, a holder of Exchangeable Shares shall be entitled to receive in respect of each Exchangeable Share held by such holder on the effective date (the “**Liquidation Date**”) of such liquidation, dissolution or winding-up, before any distribution of any part of the assets of CSAC AcquisitionCo among the holders of the common shares of CSAC AcquisitionCo or any other shares in CSAC AcquisitionCo, an amount per Exchangeable Share equal to the Exchangeable Share Consideration applicable on the last business day prior to the Liquidation Date (the “**Liquidation Amount**”).

On or promptly after the Liquidation Date, and subject to the exercise by CSAC of its Liquidation Call Right in accordance with the terms of the Exchange Rights Agreement, CSAC AcquisitionCo shall cause to be delivered to the holders of the Exchangeable Shares the Liquidation Amount for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares and a document (in the case of a holder who is a U.S. Resident (as defined below)) containing a representation and warranty that the holder is a U.S. Resident, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under applicable law and the articles and by-laws of CSAC AcquisitionCo, at the registered office of CSAC AcquisitionCo. Upon such payment of the total Liquidation Amount, the holders of the Exchangeable Shares (other than any holder which is an affiliate (as such term is defined in the Exchange Rights Agreement) of CSAC) shall thereafter be considered and deemed for all purposes to be holders of the CSAC Class B Shares delivered to them as part or all of the Exchangeable Share Consideration notwithstanding that the certificate or certificates representing such Exchangeable Shares have not been delivered by the holder or holders thereof to CSAC, and such holders shall not be entitled, in respect of the Exchangeable Shares, to share in any further distribution of the assets of CSAC AcquisitionCo.

For the purposes hereof, a “**U.S. Resident**” means a person who is a resident of the United States for purposes of the Internal Revenue Code of 1986, as amended or, if a partnership, all of whose partners are U.S. Residents, and the “**Exchangeable Share Consideration**” per Exchangeable Share means one CSAC Class B Share and any unpaid dividend entitlements, less applicable withholding taxes.

Exchange of Exchangeable Shares for CSAC Class B Shares

Subject to the exercise by CSAC of its Retraction Call Right, a holder of Exchangeable Shares will be entitled at any time following the closing of the Transaction to retract (meaning require CSAC AcquisitionCo to redeem) any or all of the Exchangeable Shares held by such holder for a retraction price per share equal to the then Retraction Price (as defined below). A holder of Exchangeable Shares may affect such retraction by presenting: (i) a certificate or

certificates to CSAC AcquisitionCo or Odyssey Trust Company, acting as CSAC's transfer agent (or any successor thereto), representing the number of Exchangeable Shares the holder desires to retract, duly endorsed in blank; (ii) a duly executed request (a "**Retraction Request**") indicating the number of Exchangeable Shares the holder desires to retract (the "**Retracted Shares**") and the date of retraction (the "**Retraction Date**") and acknowledging the Retraction Call Right; and (iii) such other documents as may be required to effect the retraction of the Retracted Shares.

When a holder requests CSAC AcquisitionCo to redeem Exchangeable Shares, CSAC will have an overriding Retraction Call Right to purchase on the Retraction Date all but not less than all of the Retracted Shares, at a purchase price per share equal to the then Retraction Price. Upon receipt of a Retraction Request, CSAC AcquisitionCo is required to immediately notify CSAC in writing of the Retraction Request. CSAC must then advise CSAC AcquisitionCo and the Exchangeable Shareholder within five business days as to whether the Retraction Call Right will be exercised. If CSAC advises CSAC AcquisitionCo that CSAC will exercise the Retraction Call Right within such five business day period, then, provided the Retraction Request is not validly revoked by the holder, the Retraction Request shall be considered to be an offer by the holder to sell the Retracted Shares to CSAC in accordance with the Retraction Call Right.

On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive the Retraction Price, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the total Retraction Price payable to such holder shall not be made, in which case the rights of such holder shall remain unaffected until the total Retraction Price has been paid in the manner hereinbefore provided. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of the total Retraction Price has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so redeemed by CSAC AcquisitionCo shall thereafter be considered and deemed for all purposes to be a holder of the CSAC Class B Shares delivered to such holder.

Notwithstanding the foregoing, CSAC AcquisitionCo shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent that such redemption of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law. If CSAC AcquisitionCo believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, CSAC AcquisitionCo shall only be obligated to redeem Retracted Shares to the extent of the maximum number that may be so redeemed (rounded down to the next whole number of shares) as would not be contrary to such provisions. In any case in which the redemption by CSAC AcquisitionCo of Retracted Shares would be contrary to solvency requirements or other provisions of applicable law, and more than one holder has duly delivered a Retraction Request, CSAC AcquisitionCo shall redeem Retracted Shares on a pro rata basis. Provided that the Retraction Request is not revoked by the holder, the holder of any such Retracted Shares not redeemed by CSAC AcquisitionCo as a result of solvency requirements or other provisions of applicable law shall be deemed by giving the Retraction Request to require CSAC to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by CSAC to such holder of the Retraction Price for each such Retracted Share.

For the purposes hereof, the "**Retraction Price**" per Exchangeable Share means one Class B Share of CSAC and any unpaid dividend entitlements, less applicable withholding taxes.

Redemption Rights

Subject to applicable law, and provided that CSAC has not exercised the Redemption Call Right or an Exchangeable Shareholder has not exercised the Exchangeable Shareholders' Put Right pursuant to the Exchange Rights Agreement, upon the occurrence of a Redemption Event (as defined below), CSAC AcquisitionCo shall have the right to redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per Exchangeable Share equal to the Exchangeable Share Consideration on the last business day prior to the Redemption Date (the "**Redemption Price**"). "**Redemption Date**" means the date for redemption as established in accordance with the terms of the Exchangeable Shares.

In the case of a proposed redemption by CSAC AcquisitionCo of Exchangeable Shares, CSAC AcquisitionCo shall:

- (a) at least 15 days before the Redemption Date (other than a Redemption Date established in connection with a Control Transaction (as defined below)), notify CSAC in writing (the “**Redemption Notice**”) of the intention of CSAC AcquisitionCo to redeem the Exchangeable Shares; and
- (b) at least 10 days before the Redemption Date (other than a Redemption Date established in connection with a Control Transaction), send or cause to be sent to CSAC and each holder of Exchangeable Shares a notice in writing (the “**Shareholder Redemption Notice**”) of the proposed redemption by CSAC AcquisitionCo of the Exchangeable Shares held by such holder.

In the case of a Redemption Date established in connection with a Control Transaction, the Redemption Notice and the Shareholder Redemption Notice must be sent on or before the Redemption Date, on as many days prior written notice as may be determined by the CSAC AcquisitionCo board of directors to be reasonably practicable in the circumstances (provided that at least ten business days’ notice is given). In any such case, such notice shall set out the Redemption Date.

On the Redemption Date and subject to the exercise by CSAC of the Redemption Call Right or the exercise of the Exchangeable Shareholders’ Put Right pursuant to the Exchange Rights Agreement, CSAC AcquisitionCo shall cause to be delivered to the holders of the Exchangeable Shares to be redeemed the Exchangeable Share Consideration representing the full Redemption Price for each such Exchangeable Share, upon presentation and surrender at the registered office of CSAC AcquisitionCo of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the applicable law and (in the case of a holder who is a U.S. Resident) a representation and warranty by such holder of Exchangeable Shares to be redeemed that such holder is a U.S. Resident. On and after the Redemption Date, the holders of the Exchangeable Shares called for redemption shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof, other than the right to receive their proportionate part of the total Redemption Price, unless payment of the total Redemption Price delivered to a holder for such Exchangeable Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the total Redemption Price has been paid in the manner hereinbefore provided. Upon such payment of the total Redemption Price, the holders of the Exchangeable Shares shall thereafter be considered and deemed for all purposes to be holders of the CSAC Class B Shares delivered to them.

For the purposes hereof, a “**Redemption Event**” means (a) the occurrence of a Control Transaction, (b) the occurrence of an Insolvency Event, (c) the day upon which U.S. tax legislation is amended and becomes effective such that all U.S. Resident holders of Exchangeable Shares may receive CSAC Class B Shares in exchange for their Exchangeable Shares on a tax-deferred basis for U.S. income tax purposes, or (d) the seventh anniversary of the closing or any date thereafter; a “**Control Transaction**” means any of the following: (i) any person or group of persons acting jointly or in concert (within the meaning of NI 62-104) acquires, directly or indirectly, control (as defined in NI 62-104) of CSAC; (ii) the shareholders of CSAC shall have approved merger, consolidation, recapitalization or reorganization of CSAC, or, if shareholder approval is not sought or obtained, any such transaction shall have been consummated, in either case other than any such transaction which would result in at least 50% of the total voting power represented by the voting securities of the resulting entity outstanding immediately after such transaction being beneficially owned by holders of outstanding voting securities of CSAC immediately prior to the transaction, with the voting power of each such continuing holder relative to such other continuing holders being not altered substantially in the transaction; or (iii) the shareholders of CSAC shall approve an agreement for the sale or disposition by CSAC of all or substantially all of CSAC’s assets; and an “**Insolvency Event**” means the institution by CSAC AcquisitionCo of any proceeding to be adjudicated a bankrupt or insolvent or to be liquidated, dissolved or wound-up, or the consent of CSAC AcquisitionCo to the institution of bankruptcy, insolvency, liquidation, dissolution or winding up proceedings against it, or the filing of a petition, answer or consent seeking liquidation, dissolution or winding up under any bankruptcy, insolvency or analogous laws in any jurisdiction, and the failure by CSAC AcquisitionCo to contest in good faith any such proceedings instituted by any person other than CSAC AcquisitionCo commenced in respect of CSAC AcquisitionCo within 30 days of becoming aware thereof, or the consent by CSAC AcquisitionCo to the filing of any such petition or to the appointment of a receiver, or the making by CSAC AcquisitionCo of a general assignment for the benefit of creditors, or the admission in writing by CSAC AcquisitionCo of its inability to pay its debts generally as they become due, or

CSAC AcquisitionCo not being permitted, pursuant to solvency requirements of applicable law, to purchase any Retracted Shares (as defined below).

Purchase for Cancellation

Subject to applicable law, CSAC AcquisitionCo may at any time and from time to time purchase for cancellation all or any part of the Exchangeable Shares by private contract with any holder of Exchangeable Shares at any price agreed to between CSAC AcquisitionCo and such holder of Exchangeable Shares.

Amendments and Approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares in the Exchange Rights Agreements may be added to, changed or removed but only with the approval of CSAC and the holders of the Exchangeable Shares given as hereinafter specified.

Any approval given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable law subject to a minimum requirement that such approval be evidenced by resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 50% of the outstanding Exchangeable Shares at that time are present or represented by proxy. If at any such meeting the holders of at least 50% of the outstanding Exchangeable Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to such date not less than five days thereafter and to such time and place as may be designated by the Chairman of such meeting. At such adjourned meeting the holders of Exchangeable Shares present or represented by proxy thereat shall form a quorum and may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution at such meeting shall constitute the approval or consent of the holders of the Exchangeable Shares.

Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, CSAC AcquisitionCo shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares by special resolution:

- (a) amend the articles of CSAC AcquisitionCo; or
- (b) initiate the voluntary liquidation, dissolution or winding-up of CSAC AcquisitionCo nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of CSAC AcquisitionCo.

Reciprocal Changes

Except for the issuance of employee incentive stock-based compensation in accordance with the terms of any employee stock option plan, in the event that CSAC, without the prior approval of CSAC AcquisitionCo and the prior approval of the holders of the Exchangeable Shares given by special resolution:

- (c) issues or distributes CSAC Class B Shares (or securities exchangeable for or convertible into or carrying rights to acquire CSAC Class B Shares) to the holders of the then outstanding CSAC Class B Shares by way of stock dividend or other distribution, other than an issue of CSAC Class B Shares pursuant to a distribution which is accompanied by an economically equivalent distribution on the Exchangeable Shares as described under “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Voting and Dividend Rights*” above or an issue of CSAC Class B Shares (or securities exchangeable for or convertible into or carrying rights to acquire CSAC Class B Shares) to holders of CSAC Class B Shares who exercise an option to receive dividends of CSAC Class B Shares (or securities exchangeable for or convertible into or carrying rights to acquire CSAC Class B Shares) in lieu of receiving cash dividends, provided that

the holders of Exchangeable Shares shall receive the same option to either receive such cash dividends or receive dividends of CSAC Class B Shares (or securities exchangeable for or convertible into or carrying rights to acquire CSAC Class B Shares) or have their Exchangeable Shares sub-divided as provided above, all as applicable and without duplication;

- (d) issues or distributes rights, options or warrants to the holders of the then outstanding CSAC Class B Shares entitling them to subscribe for or to purchase CSAC Class B Shares (or securities exchangeable for or convertible into or carrying rights to acquire CSAC Class B Shares, all as applicable and without duplication); or
- (e) issues or distributes to the holders of the then outstanding CSAC Class B Shares:
 - (i) shares or securities of CSAC of any class other than CSAC Class B Shares;
 - (ii) rights, options or warrants other than those referred to in clause (b);
 - (iii) evidences of indebtedness of CSAC; or
 - (iv) assets of CSAC;

CSAC AcquisitionCo will provide at least five business days' prior notice to the holders of Exchangeable Shares and will ensure that the economic equivalent on a per share basis of such CSAC Class B Shares (or securities exchangeable for or convertible into or carrying rights to acquire CSAC Class B Shares), rights, options, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares, all as applicable and without duplication.

In the event that CSAC, without the prior approval of CSAC AcquisitionCo and the prior approval of the holders of the Exchangeable Shares given by special resolution:

- (f) subdivides, redivides or changes the then outstanding CSAC Class B Shares into a greater number of CSAC Class B Shares;
- (g) reduces, combines, consolidates or changes the then outstanding CSAC Class B Shares into a lesser number of CSAC Class B Shares; or
- (h) reclassifies or otherwise changes the CSAC Class B Shares or effects an amalgamation, merger, reorganization or other similar transaction affecting the CSAC Class B Shares;

CSAC AcquisitionCo will ensure that the same or an economically equivalent change as effected in respect of the CSAC Class B Shares shall simultaneously be made to, or in, the rights of the holders of the Exchangeable Shares.

Grant of Exchange Rights

Subject to CSAC's Call Rights under the Exchange Rights Agreement, CSAC will grant to each of the Exchangeable Shareholders the right, exercisable upon the occurrence and during the continuance of: (i) an Insolvency Event, or (ii) subject to the Liquidation Call Right and Redemption Call Right, any event causing the automatic exchange of the Exchangeable Shares for CSAC Class B Shares or requiring the Exchangeable Shareholders to exchange their Exchangeable Shares for CSAC Class B Shares (each an "**Exchangeable Shareholder Put Event**"), to require CSAC to purchase from such Exchangeable Shareholder all or any part of the Exchangeable Shares held by such Exchangeable Shareholder (the "**Exchanged Shares**"), all in accordance with the provisions of the Exchange Rights Agreement and the share terms of CSAC AcquisitionCo governing the Exchangeable Shares (the "**Exchangeable Share Provisions**") (the "**Exchangeable Shareholders' Put Right**").

The purchase price payable by CSAC for each Exchangeable Share to be purchased by CSAC upon the exercise of the Exchangeable Shareholders' Put Right shall be an amount per Exchangeable Share equal to the Exchangeable Share Consideration.

CSAC will also grant the Automatic Exchange Right to the Exchangeable Shareholders.

Automatic Exchange Right on Liquidation of CSAC

CSAC will give each Exchangeable Shareholder written notice of each of the following events (each a “**Liquidation Event**”) at the time set forth below:

- (i) in the event of any determination by the Resulting Issuer Board to institute voluntary liquidation, dissolution or winding-up proceedings with respect to CSAC or to affect any other distribution of assets of CSAC among its stockholders for the purpose of winding up its affairs, at least 30 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; and
- (j) as soon as practicable following the earlier of:
 - (i) receipt by CSAC of notice of; and
 - (ii) CSAC’s otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of CSAC or to affect any other distribution of assets of CSAC among its stockholders for the purpose of winding up its affairs, in each case where CSAC has failed to contest in good faith any such proceeding commenced in respect of CSAC within 30 days of becoming aware thereof.

Such notice shall include a brief description of the automatic exchange of Exchangeable Shares for CSAC Class B Shares (the “**Automatic Exchange Right**”).

In order for the Exchangeable Shareholders to participate on a pro-rata basis with the holders of CSAC Class B Shares in the distribution of assets of CSAC in connection with a Liquidation Event, immediately prior to the effective date of a Liquidation Event (the “**Liquidation Event Effective Date**”), subject to each of the Liquidation Call Right and Exchangeable Shareholders’ Put Right (if applicable) not having been exercised, each of the then outstanding Exchangeable Shares shall be automatically exchanged for CSAC Class B Shares. To effect such automatic exchange, CSAC shall be deemed to have purchased each Exchangeable Share outstanding on the Liquidation Event Effective Date held by Exchangeable Shareholders, and each Exchangeable Shareholder shall be deemed to have sold the Exchangeable Shares held by it at such time to CSAC, for an amount per share equal to the Exchangeable Share Consideration applicable on the business day prior to the Liquidation Event Effective Date.

Liquidation Call Right

CSAC shall have the overriding right (the “**Liquidation Call Right**”), in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of CSAC and notwithstanding the Exchangeable Share Provisions, to purchase from all, but not less than all, of the Exchangeable Shareholders (other than any Exchangeable Shareholder which is an affiliate of CSAC) on the Liquidation Date all, but not less than all, of the Exchangeable Shares held by each such Exchangeable Shareholder on payment by CSAC to each such Exchangeable Shareholder an amount per Exchangeable Share equal to the Exchangeable Share Consideration applicable on the business day prior to the Liquidation Date (the “**Liquidation Call Purchase Price**”). In the event of the exercise of the Liquidation Call Right by CSAC, each Exchangeable Shareholder (other than any Exchangeable Shareholder which is an affiliate of CSAC) shall be obligated to sell all the Exchangeable Shares held by such Exchangeable Shareholder to CSAC on the Liquidation Date on payment by CSAC to the Exchangeable Shareholder of the Liquidation Call Purchase Price, less any applicable withholding taxes, for each such Exchangeable Share and CSAC AcquisitionCo shall have no obligation to pay the Liquidation Amount to the holders of such Exchangeable Shares so purchased by CSAC.

Redemption Call Right

Upon the receipt of a Redemption Notice, CSAC shall have the overriding right (the “**Redemption Call Right**”), notwithstanding the proposed redemption of the Exchangeable Shares by CSAC pursuant to the Exchangeable Share Provisions, to purchase from all but not less than all of the Exchangeable Shareholders (other than any Exchangeable Shareholder which is an affiliate of CSAC) on the Redemption Date or, if the Exchangeable Shares have not otherwise been redeemed or retracted by such date, any date following the Redemption Date (the “**Later Redemption Date**”), all but not less than all of the Exchangeable Shares held by each such holder on payment by CSAC to each Exchangeable Shareholder an amount per Exchangeable Share (the “**Redemption Call Purchase Price**”) equal to the Exchangeable Share Consideration on the last business day prior to the Redemption Date or the Later Redemption Date, as applicable. In the event of the exercise of the Redemption Call Right by CSAC, each Exchangeable Shareholder shall be obligated to sell all the Exchangeable Shares held by the Exchangeable Shareholder to CSAC on the Redemption Date or the Later Redemption Date, as applicable, on payment by CSAC to the Exchangeable Shareholder of the Redemption Call Purchase Price for each such Exchangeable Share, and CSAC AcquisitionCo shall have no obligation to redeem such Exchangeable Shares so purchased by CSAC.

Retraction Call Right

Upon receipt by CSAC of a Retraction Request, CSAC AcquisitionCo shall immediately notify CSAC in writing thereof (a “**Retraction Call Notice**”) and shall provide to CSAC a copy of the Retraction Request. Upon receipt by CSAC of a Retraction Call Notice, CSAC shall have the right (the “**Retraction Call Right**”), notwithstanding the Exchangeable Share Provisions, to purchase from each such Exchangeable Shareholder that has delivered a Retraction Request, on the Retraction Date, all but not less than all of the Exchangeable Shares held by such holder on payment by CSAC to each such Exchangeable Shareholder an amount per Exchangeable Share equal to the Exchangeable Share Consideration on the last business day prior to the Retraction Date.

CSAC Shareholder Information

CSAC, its affiliates or its representatives shall promptly mail or cause to be mailed (or otherwise communicate in the same manner as CSAC utilizes in communications to holders of CSAC Class B Shares, subject to applicable regulatory requirements) to each of the Exchangeable Shareholders copies of all mailings and communications that it sends to holders of CSAC Class B Shares, such mailing or communication to commence on or about the same day as the mailing or notice (or other communication) with respect thereto is commenced by CSAC to the holders of CSAC Class B Shares.

Any written materials distributed by CSAC shall be sent by mail (or otherwise communicated in the same manner as CSAC utilizes in communications to holders of CSAC Class B Shares, subject to applicable regulatory requirements) to each Exchangeable Shareholder at its address as shown on the books of CSAC AcquisitionCo.

Lock-up and Transfer Restrictions Applicable to the Exchangeable Shareholders

For a description of the lock-up restrictions, see “*Corporate Structure – Definitive Agreements – Sira Agreement*”, “*Corporate Structure – Definitive Agreements – Canopy Agreement*”, “*Corporate Structure – Definitive Agreements – Washoe Agreement*”, “*Corporate Structure – Definitive Agreements – LivFree Agreement*” and “*Corporate Structure – Definitive Agreements – Cannapunch Agreement*”.

CANNABIS MARKET OVERVIEW

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352, which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular State’s regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. As a result of the Target Businesses’ existing operations in Nevada and Massachusetts, CSAC provides the following disclosure:

The legalization and regulation of marijuana for medical use is being implemented at the State level in the United States. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act (the

“**Substances Act**”), which makes cannabis use and possession federally illegal. Although certain States and territories of the U.S. authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the Substances Act. Although the Target Businesses’ activities are compliant with applicable United States State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve CSAC of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against CSAC. The risk of federal enforcement and other risks associated with CSAC’s business are described under “Risk Factors”.

The following table is intended to assist readers in identifying those parts of this prospectus that address the disclosure expectations outlined in Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities* issued by the Canadian Securities Administrators for issuers that currently have marijuana-related activities in U.S. States where such activity has been authorized within a State regulatory framework.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross-Reference
All Issuers with U.S. Marijuana- Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	- <i>Narrative Description of the Business of CSAC</i> - <i>The Business of the Target Businesses</i>
	Prominently State that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	- <i>Cannabis Market Overview (disclosure in bold typeface)</i> - <i>Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview – United States Federal Overview</i> - <i>Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview – U.S. Federal Enforcement Priorities</i> - <i>Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	- <i>Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview – United States Federal Overview</i>
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	- <i>Risk Factors – Service providers could suspend or withdraw service</i> - <i>Risk Factors - While legal under applicable U.S. State law, CSAC’s business activities are illegal under U.S. federal law</i>
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	- <i>Risk Factors – CSAC may be subject to restricted access to banking in the United States and Canada</i> - <i>Risk Factors – CSAC’s investments in the U.S. are subject to applicable anti-money laundering laws and regulations</i>
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana related activities.	- <i>Cannabis Market Overview – Exposure to U.S. Marijuana Related Activities</i>
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding	Not applicable.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross-Reference
	(a) compliance with applicable State regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. States in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. State.	<ul style="list-style-type: none"> - <i>The Business of the Target Businesses</i> - <i>Cannabis Market Overview - Compliance with State Regulatory Frameworks</i>
	Discuss the issuer’s program for monitoring compliance with U.S. State law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. State law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer’s licence, business activities or operations.	<ul style="list-style-type: none"> - <i>Cannabis Market Overview - Compliance with State Regulatory Frameworks</i>
	Outline the regulations for U.S. States in which the issuer’s investee(s) operate.	<ul style="list-style-type: none"> - <i>Cannabis Market Overview – Legal and Regulatory Matters – Nevada State Level Overview</i> - <i>Cannabis Market Overview – Legal and Regulatory Matters – Massachusetts State Level Overview</i>
	Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. State. Promptly disclose any noncompliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s licence, business activities or operations.	<ul style="list-style-type: none"> - <i>Cannabis Market Overview - Compliance with State Regulatory Frameworks</i> - See also representations and warranties of the Target Businesses in the <i>Definitive Agreements</i>.

In accordance with Staff Notice 51-352, below is a discussion of the federal and State-level U.S. regulatory regimes in those jurisdictions where the Target Businesses are, and CSAC will be, directly or indirectly involved through its subsidiaries. The Target Businesses and their subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Massachusetts and Nevada. In accordance with Staff Notice 51-352, CSAC will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have a material impact on CSAC’s licenses, business activities or operations will be promptly disclosed by CSAC.

See “*Corporate Structure - NEO Exchange Guidance Regarding Companies with U.S. Marijuana-Related Activities*” for a discussion on the NEO Exchange’s additional expectations for issuers with U.S. marijuana-related activities.

Exposure to U.S. Marijuana Related Activities

As of September 30, 2018, the date of the Interim Financial Statements of each of the Target Businesses, 100% of each of the Target Businesses’ businesses was directly derived from U.S. cannabis-related activities, based on the existing operations of each of the Target Businesses. As such, each of the Target Businesses’ balance sheet and operating statement exposure to U.S. cannabis related activities is 100%.

Use of Cannabis

Marijuana is a preparation of the leaves and flowering tops of cannabis sativa, the hemp plant, which contains a number of pharmacologically-active principles (cannabinoids). It is used for its euphoric properties and is considerably more potent when smoked and inhaled than when simply eaten.

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

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

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

Current U.S. Cannabis Market

Subsequent to the ground swell of support for legal access to marijuana at the State level, there has been rapid opportunity growth in the U.S. market. Sales of legal cannabis flowers and cannabis-infused derivative and edible products totaled US\$6.1 billion in 2017, and are expected to reach US\$8.8 billion in 2018 with approximately 36% of sales for medical use and 64% for full adult-use.⁴ The U.S. market for direct legal cannabis sales alone is projected to grow to US\$17 billion by 2021⁵ and the total addressable market for direct cannabis sales in the U.S. today is estimated at US\$45-50 billion if every State legalized full adult recreational consumption.⁶

Nevada

Nevada is one of the most dynamic markets anticipated for the full development of the recreational cannabis market. By certain estimates, the recreational market in Nevada is projected to have a cumulative average growth rate of 25% per annum⁷. With most of the State population and tourism located in the Las Vegas metropolitan area, the opportunity in Southern Nevada is strengthened by the fact that Nevada has a limited number retail store licenses and Nevada law includes an exclusive period for applicants for recreational establishment licenses, providing for priority for license holders to be preferred in obtaining other non-operating retail licenses. The Las Vegas metropolitan area has historically seen nearly forty million tourists in a year, making it one of the most visited cities in the United States. Industry estimates put the overall cannabis market size in the Las Vegas area to be over US\$800 million per year.⁸ As a holder of local licenses in respect of cannabis operations in Las Vegas, LivFree is poised to take advantage of this large and active market. Similarly, the Reno-Tahoe metropolitan area in Northern Nevada sees approximately 5 million tourists annually.⁹ The City of Reno has recently indicated a preference to

⁴ Marijuana Business Daily (2017). Marijuana Business Factbook. Available at <https://mjbizdaily.com/factbook/>.

⁵ Arcview Market Research & New Frontier Data (2016). The State of Legal Marijuana Markets, 4th edition. Available at <https://www.arcviewmarketresearch.com/4th-edition-legal-marijuana-market/>.

⁶ Marijuana Business Daily (2017). Marijuana Business Factbook. Available at <https://mjbizdaily.com/factbook/>.

⁷ Frontier Financial Group Inc. (2017). Change in Compensation: Working in Cannabis. Available at <https://newfrontierdata.com/marijuana-insights/change-in-compensation-working-in-cannabis/>.

⁸ Frontier Financial Group Inc. (2018). CannaBits. Available at <https://newfrontierdata.com/cannabits/>.

⁹ “Reno tops 5 million visitors for 1st time in a decade; now the pressure’s on to build on that momentum” from the Reno Gazette Journal (June 28, 2018). Available at <https://www.rgj.com/story/money/business/2018/06/25/reno-tops-5-million-visitors-first-time-decade/715941002/>.

further limit the six new additional retail store licenses that have been allocated to it by the State of Nevada, by stating that the City only intends to accept and license an additional four stores.¹⁰

Massachusetts

As of October 31, 2018, Massachusetts had 42 retail RMDs open for sales to over 56,000 registered and active patients across the State. Between January 1, 2018 and October 31, 2018, over 141,329 ounces of medical marijuana were dispensed across the State. 2018 retail sales have been estimated at over \$100 million and are forecasted at over \$1 billion by 2020 with the implementation of recreational sales. During November 2018, the first two retail adult-use locations in Massachusetts opened for business, and two others have received final regulatory certifications of qualifications, but remain subject to final inspections before opening. Sira has secured final licenses to cultivate, manufacture and transport cannabis and cannabis products for adult-use purposes in Massachusetts, but remains subject to final inspections before commencing those operations, and intends to apply for licenses to operate adult-use cannabis retail establishments.

Legal and Regulatory Matters

United States Federal Overview

A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The U.S. Department of Justice (“**DOJ**”) defines Schedule I drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.¹¹

As of November 30, 2018, 32 States and the District of Columbia have now, under State law, legalized cannabis for medical and/or recreational purposes and public acceptance of cannabis continues to increase across the United States at a rapid pace. Notwithstanding the permissive regulatory environment of medical and/or recreational cannabis at the State level, and the increasing number of States with legal recreational frameworks, cannabis continues to be categorized as a Schedule I controlled substance under the Substances Act. Dozens of pieces of legislation have been introduced in the United States Congress that would legitimize the use and sale of cannabis, including a Senate bill titled “Strengthening the Tenth Amendment through Entrusting States (STATES) Act” that would lift the Substances Act’s restrictions on cannabis for individuals or corporations operating in compliance with State law. However, there can be no assurances as to when any such bill will pass, if any such bill will pass at all or if any such bill will be accepted and made law by the President. As a result, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

As a result of the conflicting views between State legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. On August 29, 2013, the DOJ attempted to address this inconsistency and to provide guidance to enforcement agencies when then Deputy Attorney General, James Cole, authored a memorandum (the “**Cole Memorandum**”) addressed to all United States Attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several States have enacted laws relating to cannabis for medical and recreational purposes.

In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a prosecutorial priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

¹⁰ “Nevada’s quiet cannabis expansion” from the Marijuana Retail Report (September 20, 2018). Available at <http://marijuanaretailreport.com/nevadas-quiet-cannabis-expansion/>.

¹¹ United States Drug Enforcement Administration (2018). Drug Scheduling. Available at <https://www.dea.gov/drug-scheduling>.

The Cole Memorandum outlined the following priorities for the DOJ relating to the prosecution of cannabis offenses:

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

While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between State and federal laws concerning State-regulated cannabis businesses.

In March 2017, then newly-appointed Attorney General Jeff Sessions, a long-time opponent of State-regulated medical and recreational cannabis, noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively. On January 4, 2018, the Cole Memorandum was rescinded by Attorney General Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that State-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to the rescission of the Cole Memorandum, Attorney General Sessions issued a memorandum (the "**Sessions Memorandum**") which confirmed the rescission of the Cole Memorandum on the basis that the prosecutorial guidelines therein were "unnecessary" given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual ("**USAM**") and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses; resultantly, it is uncertain how active U.S. federal prosecutors will be in relation to such activities. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed.

Although Dayle Elieson, U.S. Attorney for the District of Nevada, has been relatively quiet on the issue of marijuana enforcement priorities,¹² Nevada's outgoing Governor, Brian Sandoval, has stated that he would like to

¹² "With pot shops' fate in their hands, Nevada's new U.S. Attorney remains mum on marijuana" from the Reno Gazette Journal (January 12, 2018). Available at <https://www.rgj.com/story/news/politics/2018/01/12/pot-shops-fate-her-hands-nevadas-new-u-s->

see Nevada's U.S. Attorney take the same approach as Colorado's U.S. Attorney by not enforcing federal laws against the legalized industry in the State.¹³ Additionally, the recent Governor-Elect, Steve Sisolak, has made similar statements in support of the cannabis industry in Nevada, stating his intentions to move the industry forward after he takes office in January 2019 and build a bridge for marijuana companies and banks to work together to increase the safety of the currently cash-only business.¹⁴

Shortly after the Sessions Memorandum was issued, Andrew Lelling, the then newly appointed United States Attorney for the District of Massachusetts, was not willing to provide meaningful guidance to the Massachusetts cannabis industry, stating that he could not "provide assurances that certain categories of participants in the state-level marijuana trade will be immune from federal prosecution".¹⁵

In July 2018, however, Lelling, while acknowledging again that it was his duty to enforce all federal laws, revealed that the "number one enforcement priority" for his office is "the opioid crisis", and that his priorities for prosecution of U.S. federal marijuana laws would be overproduction (that might lead to drugs being diverted illegally), sales of drugs to minors and businesses whose proceeds support gangs¹⁶. Massachusetts Governor Charlie Baker also stated, "We have two laws in Massachusetts: one that was passed by voters several years ago around the establishment of medical marijuana dispensaries, which are regulated and overseen by the commonwealth, and another law that was passed by the voters in 2016 that requires the State to create a legal infrastructure for recreational marijuana. Those are the laws that State and local law enforcement officials are bound to uphold and that's what they're going to do."¹⁷ To the knowledge of management of CSAC, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada or Massachusetts.

It is too soon to determine what prosecutorial effects, if any, will be created by the rescission of the Cole Memorandum. However, U.S. federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute marijuana activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities. Cannabis remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor the Sessions Memorandum has changed that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational cannabis, even if State law sanctioned such sale and disbursement. From a purely legal perspective, the criminality of cannabis activities at the federal level today is identical to what it was on January 3, 2018 and it remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I narcotics. As a result, both U.S. and Canadian banks have been reluctant to transact with cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. There is a risk that banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. More specifically, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be prosecuted for money laundering or conspiracy. Despite these laws, in February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") of the U.S. Treasury Department issued a memorandum (the "**FinCEN Memorandum**") providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum, which

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¹³ "Sandoval wants Nevada to follow Colorado plan on marijuana" from the Las Vegas Review-Journal (January 8, 2018). Available at <https://www.reviewjournal.com/news/pot-news/sandoval-wants-nevada-to-follow-colorado-plan-on-marijuana/>.

¹⁴ "Sisolak calls for clearer marijuana regulations, banking aid for dispensaries" from the Las Vegas Sun (October 23, 2018). Available at <https://lasvegassun.com/news/2018/oct/23/sisolak-calls-for-clearer-marijuana-regulations-ba/>.

¹⁵ Statement by U.S. Attorney Andrew E. Lelling Regarding Federal Marijuana Enforcement (January 8, 2018). Available at <https://www.justice.gov/usao-ma/pr/statement-us-attorney-andrew-e-elling-regarding-federal-marijuana-enforcement/>.

¹⁶ Statement by U.S. Attorney Andrew Lelling Regarding the Legalization of Recreational Marijuana in Massachusetts (July 10, 2018). Available at <https://www.justice.gov/usao-ma/pr/statement-us-attorney-andrew-elling-regarding-legalization-recreational-marijuana/>.

¹⁷ "Governor vows to uphold legalized pot laws," from the Boston Herald (January 12, 2018). Available at <https://www.bostonherald.com/2018/01/12/governor-vows-to-uphold-legalized-pot-laws/>.

is covered in more detail below, states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued (the “**2014 Cole Memorandum**”) to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Substances Act. The 2014 Cole Memorandum was also rescinded by the Sessions Memorandum. However, the FinCEN Memorandum was not rescinded, and the then Treasury Secretary Steve Mnuchin publicly stated that the U.S. Treasury Department was not informed of Attorney General Sessions’ intent to rescind the Cole Memorandum and that there is no desire to rescind the FinCEN Memorandum.

While the Sessions Memorandum introduced further uncertainty and added to the State-federal divide concerning the legislation and prosecution of cannabis, the United States Congress has repeatedly enacted legislation to protect the medical marijuana industry from prosecution. The United States Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 (“**Rohrabacher-Blumenauer Amendment**”), which by its terms does not appropriate any federal funds to the U.S. DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with State medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the “**Rohrabacher-Leahy Amendment**”) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment has remained in effect by virtue of a continuing resolution under which the entire 2018 budget is currently operating. The current continuing resolution is effective through December 7, 2018, at which time the United States Congress must either pass an omnibus appropriations bill for fiscal year 2019 or pass another continuing resolution of the 2018 budget, or it will face a shutdown of the federal government, at which time the Leahy Amendment would no longer be in effect. The Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes.

There has been additional pushback at the congressional level to limit any future enforcement efforts by the executive branch. Numerous times throughout 2018, Rep. Jared Polis (D-Colorado) and Rep. Tom McClintock (R-California) have attempted to introduce the McClintock-Polis amendment to prevent the Drug Enforcement Administration from prosecuting individuals or entities for using, selling or possessing marijuana in compliance with State laws. The McClintock-Polis amendment has received some bipartisan support and attempts to introduce similar concepts from the Rohrabacher-Leahy Amendment (prohibiting the DOJ from using federal funds to prevent implementation of state medical cannabis laws) towards recreational, rather than just medical, marijuana use. At this time, it is unclear whether the McClintock-Polis amendment, or any similar legislation, will receive congressional support necessary to become law.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with State law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the Substances Act, any individual or business—even those that have fully complied with State law—could be prosecuted for violations of federal law. If Congress restores funding, the U.S. government will have the authority to prosecute individuals for violations of the law within the past five years under the Substances Act’s statute of limitations.

In addition, as of October 10, 2018, at least thirty-nine (39) states have allowed for industrial hemp cultivation and production programs. The cultivation of hemp in the U.S. is governed by (i) Section 7606 of the Agricultural Act of 2014, codified at U.S.C. Chapter 7, Section 5490 (the “**2014 Farm Bill**”) and (ii) applicable State law. Section 7606 allows for the cultivation of industrial hemp for research purposes under State agricultural pilot programs. Although the 2014 Farm Bill expired on September 30, 2018, Section 7606 remains in place. In addition, a September 2018 continuing budget resolution currently in place until December 7, 2018 protects against the use of federal funds: (1) in contravention of Section 7606 and (2) to prohibit the transportation, processing, sale, or use of industrial hemp, or

seeds of such plant, that is grown or cultivated in accordance with Section 7606, within or outside the state in which the industrial hemp is grown or cultivated.

Although proposed federal legislation, H.R. 2, the Agriculture Improvement Act of 2018 (the “**2018 Farm Bill**”), seeks to fully legalize hemp as an agricultural commodity by removing hemp, its derivatives, cannabinoids, and extracts (including CBD and any part of the cannabis plant which contains 0.3% THC or less on a dry weight basis) from the list of controlled substances in the Controlled Substances Act, the final text of the 2018 Farm Bill must still be voted on by the House and the Senate and then signed by the President before taking effect. While there appears to be significant support for the hemp industry on state and federal levels, the continued federal authorization for the cultivation of hemp in the U.S. is not assured. Numerous factors, including prohibitive federal, state, and local regulations may impact the legislative process federally or within any states in which CSAC operates.

Notwithstanding the foregoing, there is no guarantee that the current presidential administration, the Trump administration, will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal cannabis laws that conflict with State laws. The Trump administration and Congress could reverse course and decide to enforce U.S. federal cannabis laws vigorously.

An additional challenge to marijuana-related businesses is that the provisions of the Code, Section 280E, are being applied by the IRS to businesses operating in the medical and adult-use marijuana industry. Section 280E of the Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective U.S. federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

U.S. Federal Enforcement Priorities

For the reasons set forth above, the Target Businesses, and any future investments of CSAC, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, CSAC may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on CSAC’s ability to invest in the U.S. or any other jurisdiction. See “*Risk Factors*”.

Changes in government policy or public opinion can significantly influence the regulation of the cannabis industry in Canada, the United States and elsewhere. A negative shift in the public’s perception of cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause State jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new State jurisdictions into which CSAC could expand. Any inability to fully implement CSAC’s expansion strategy may have a material adverse effect on CSAC’s business, financial condition and results of operations. See “*Risk Factors*”.

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

Nevada State Level Overview

Nevada has a medical marijuana program and passed an adult-use legalization in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana

patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana business industry.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017 when the State's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation. In 2014, Nevada accepted medical marijuana business applications and a few months later the division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other States to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Under Nevada's adult-use marijuana law, the Department of Taxation licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the "Marijuana Enforcement Division of the Department of Taxation" (the "**Nevada Taxation Division**"). For the first 18 months, applications to the Nevada Taxation Division for adult-use establishment licenses can only be accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

In February 2017, the Nevada Department of Taxation announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses, which began on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired at the end of the year. As of July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis has incurred an additional 10% special retail marijuana sales tax in addition to any general State and local sales and use taxes.

On January 16, 2018, the Nevada Taxation Division issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

In September, 2018, the Nevada Taxation Division accepted applications from existing Nevada medical marijuana establishment certificate owners to be awarded licenses for approximately 65 retail marijuana stores throughout the State. The application period closed on September 20, 2018, and the additional retail store licenses were awarded by the Nevada Taxation Division on December 5, 2018.

The by-laws of Henderson, Nevada currently prohibit public company ownership of cannabis operations located in Henderson. Accordingly, unless such by-laws are changed, CSAC will not be able to acquire LivFree's Henderson operations or any interest therein. CSAC understands that the City of Henderson's municipal code may be amended to allow public company ownership of cannabis operations located in the City of Henderson jurisdiction in the near-to-medium term, though no such amendments can be assured and, accordingly, the Henderson location may need to be excluded from the Transaction. See "*Risk Factors – The City of Henderson, Nevada*", prohibits public company ownership of cannabis businesses".

Regulatory Framework

The State of Nevada utilizes Metrc as its statewide seed-to-sale tracking system for all marijuana and marijuana products. All licensees within the State system are required, either directly or through third-party software systems that are capable of data integration, to report all creation and transfers of such inventory to other licensees and sales to consumers. CSAC intends to designate a third-party computerized seed-to-sale inventory software tracking system designed to integrate with Metrc via an application programming interface.

Licensing Requirements

As discussed above, there are five certificate/license types issued in the State of Nevada:

“Marijuana cultivation facility” means an entity licensed to cultivate, process, and package marijuana, to have marijuana tested by a marijuana testing facility, and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other marijuana cultivation facilities, but not to consumers. NRS 453D.030(9).

“Marijuana product manufacturing facility” means an entity licensed to purchase marijuana, manufacture, process, and package marijuana and marijuana products, and sell marijuana and marijuana products to other marijuana product manufacturing facilities and to retail marijuana stores, but not to consumers. NRS 453D.030(12).

“Retail marijuana store” means an entity licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers. NRS 453D.030(18)

“Marijuana distributor” means an entity licensed to transport marijuana from a marijuana establishment to another marijuana establishment. NRS 453D.030(10).

“Marijuana testing facility” means an entity licensed to test marijuana and marijuana products, including for potency and contaminants. NRS 453D.030(15).

Medical marijuana establishment certificates and recreational marijuana facility licenses are issued independently to specific owners and at identified locations. Ownership of certificates and licenses is transferable in accordance with the Nevada Taxation Division’s policies and procedures, including completion of a background investigation. Establishment certificates and facility licenses may only be relocated to a new location within the identified local jurisdiction.

All licenses expire one year after the date of issue. The Nevada Taxation Division shall issue a renewal license within 10 days after the receipt of a renewal application and applicable fee if the license is not then under suspension or has not been revoked.

Security Requirements

To prevent unauthorized access to marijuana at a Nevada-licensed marijuana establishment, the marijuana establishment must have security equipment to deter and prevent unauthorized entrance into limited access areas. Such security equipment includes, without limitation:

- Devices or a series of devices to detect unauthorized intrusion;
- Exterior lighting to facilitate surveillance;
- Electronic monitoring, including, without limitation, each of the following:
 - At least one call-up monitor that is 19 inches or more;
 - A video printer capable of immediately producing a clear still photo from any video camera image;
 - Video cameras or specified resolution and which is capable of identifying any activity occurring within the marijuana establishment in low light conditions 24 hours per day;
 - A method for storing video recordings from the video cameras for at least 30 calendar days in a secure on-site or off-site;
 - A failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system; and
 - Sufficient battery backup for video cameras and recording equipment to support at least 5 minutes of recording in the event of a power outage.
- Immediate automatic or electronic notification to alert local law enforcement agencies of an unauthorized breach of security at the marijuana establishment in the interior of each building of the marijuana establishment; and
- Policies and procedures;

- That restrict access to the areas of the marijuana establishment that contain marijuana to persons authorized to be in those areas only;
- That provide for the identification of persons authorized to be in the areas of the marijuana establishment that contain marijuana;
- That prevent loitering;
- For conducting electronic monitoring;
- For the use of the automatic or electronic notification to alert local law enforcement agencies of an unauthorized breach of security at the marijuana establishment;
- For limiting the amount of money available in any retail areas of the marijuana establishment and/or training employees on this practice;
- For notifying the public of the minimal amount of money available, which may include, without limitation, the posting of a sign;
- For maintaining communication with law enforcement agencies; and
- For providing and receiving notifications regarding burglary, attempted burglary, robbery, attempted robbery and other suspicious activity.

Transportation

Recreational marijuana and marijuana product may only be transported from a licensed cultivation or production facility to a licensed retail store by a licensed marijuana distributor. A marijuana establishment shall ensure that any establishment agent transporting marijuana or marijuana products for the marijuana establishment has his or her establishment agent registration card or temporary authorization in his or her immediate possession when engaging in transportation.

A retail marijuana store may deliver marijuana or marijuana products to a consumer, provided that the retail store ensures:

- All marijuana and marijuana products are secured at all times during delivery;
- A delivery manifest is generated and maintained using the seed-to-sale tracking system that contains all the information required by the Nevada Taxation Division, and a copy is provided to the consumer at the time of delivery;
- Delivery is only directly to the consumer who ordered the marijuana or marijuana products;
- A retail marijuana store shall not deliver more than five ounces of marijuana or an equivalent amount of marijuana products to any combination of consumers within a single trip;
- A retail marijuana store shall not deliver marijuana or marijuana products to a consumer at any location that has been issued a gaming license; and
- A retail marijuana store may only deliver marijuana or marijuana products to a private residence and shall not deliver more than one ounce of marijuana or an equivalent amount of marijuana products to any consumer.

Department Inspections

Each establishment that has been granted a provisional operating certificate by the Nevada Taxation Division must undergo facility and audit inspections by the Nevada Taxation Division prior to the issuance of a final registration certificate. Additionally, the issuance of a registration certificate is considered provisional until the establishment is in compliance with all applicable local government requirements including, without limitation, the issuance of a local business licenses.

After an establishment registration certificate has been issued, the marijuana establishment is subject to reasonable inspection from the Nevada Taxation Division and a licensee must make himself or herself, or an agent, available and present for any inspection required by the Nevada Taxation Division.

Recreational Marijuana

Nevada law permits a person 21 years of age or older to possess, use, consume, purchase, obtain, process, or transport marijuana paraphernalia, one ounce or less of marijuana other than concentrated marijuana, or one-eighth

of an ounce or less of concentrated marijuana.

Massachusetts State Level Overview

Massachusetts permits the sale of both medical and adult-use cannabis under two different regimes.

Massachusetts legalized cultivation and sales of medical marijuana when voters passed a ballot question which became Chapter 369 of the Acts of 2012, “An Act for the Humanitarian Medical Use of Marijuana” (the “**Medical Act**”). Adult-use (recreational) marijuana is now legal following a ballot initiative in November of 2017 which became Chapter 334 of the Acts of 2016 and created the “Regulation and Taxation of Marijuana Act”, which became codified as MGL ch. 94G. Before it became effective, the Massachusetts legislature amended the Regulation and Taxation of Marijuana Act and MGL ch. 94G by adopting Chapter 55 of the Acts of 2017 (at the same time, the legislature codified the Medical Act as Ch. 94I).

Regulatory Agencies

The Massachusetts Department of Public Health (the “**MA DPH**”) is the regulatory body that oversees the administration of the Medical Act. Pursuant to the Medical Act, it has issued regulations at 105 CMR 725.000, et seq., implementing the ballot measure, including the registration of corporations to cultivate and dispense marijuana for medical use, and the registration of physicians, patients, personal caregivers, dispensaries, caregiving institutions, independent testing laboratories and their associated agents. The Massachusetts Cannabis Control Commission (the “**MA CCC**”), a regulatory body created in 2018, oversees the administration of the adult-use program. It has issued regulations at 935 CMR 500.000, et seq., implementing the ballot measure, including establishing requirements for the registration of persons and entities to cultivate, manufacture, transport, and dispense marijuana for adult-use, the creation of independent testing laboratories and the continued oversight of all such businesses.

License Requirements

Medical licensees are referred to as Medical Marijuana Treatment Centers or Registered Medical Dispensaries (“**RMDs**”). Each licensee must be “vertically-integrated,” which means RMDs must grow, process and dispense their own marijuana. No medical licensee may operate more than three dispensaries or more than two cultivation locations. Adult-use licensees (which operate “**Marijuana Establishments**”) may apply for up to three of each of following licenses: cultivate, manufacture/production, third-party transport, and dispensary. The same licensee may act or function as both an adult-use Marijuana Establishment and an RMD, at the same or different locations, but it must then comply with both sets of regulations. Licensees may sell and grow marijuana at the same locations, or at remote locations.¹⁸

Municipal Involvement

MGL Ch. 94G allows each of the 365 cities and towns in Massachusetts to reject or accept adult-use Marijuana Establishments. If accepted, most localities have or are in the process of adopting zoning bylaws that limit the number of Marijuana Establishments and their locations to specified areas of the town. MGL Ch. 94G and the associated regulations also require that a licensee applicant have already entered into an agreement with the municipality regarding the operation’s hours, parking, security and staffing, and established the fees to be paid to the town (a “**Community Host Agreement**”). While MGL Ch. 94G seemingly limits a town’s demands to a 3% impact fee, many are seeking much higher fees as a condition for executing the Community Host Agreement.

Application Process

The MA DPH and MA CCC examine each licensee, “control person” and operation closely. There is a detailed application process, during which: each owner, officer or member must undergo thorough background checks and fingerprinting. Applicants must submit the location and identification of each site to confirm that zoning and State required setbacks are met. Applicants must include disclosures of any and all regulatory actions against it by the

¹⁸ Section 64(d) of Chapter 55 of the Acts of 2017 requires that the MA CCC takeover the administration of the Medical Act no later than December 31, 2018, but as of yet, there is no indication that the regulations will be brought into alignment.

Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and all owners, officers, principals or members. The application must include a proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the operating policies and procedures for each location, including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

On-going Restrictions

Operations of the RMDs and Marijuana Establishments after they open is also subject to strict ongoing regulation and monitoring: seed-to-sale inventory tracking, testing, handling and record-keeping of product, labelling and advertising, deliveries and delivery personnel. RMDs can only dispense medical marijuana to registered qualifying patients with current valid certification and Marijuana Establishments can only dispense marijuana for adult-use to persons of age 21 or older. RMDs must also limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients.

Compliance with State Regulatory Frameworks

Sira is believed by CSAC to be in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Massachusetts, and maintains RMD licenses in provisional status that are expected to be made final once the statutory and regulatory requirements are satisfied relative to the completion of construction and related regulatory requirements for final registration.

Similarly, each of LivFree, Washoe, Canopy and Cannapunch is believed by CSAC to be in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Nevada, and maintains the appropriate licenses for the cultivation, production, distribution and operation of dispensaries, as applicable.

None of the Target Businesses has experienced any material non-compliance nor are any of the Target Businesses subject to any outstanding notices of violation by the State of Nevada or the State of Massachusetts, as applicable.

Each of the Target Businesses uses Metrc to provide an end-to-end control system for tracking and tracing cannabis plants and products. This solution was specifically designed for government agencies responsible for legalized cannabis enforcement. See *“Legal and Regulatory Matters – Nevada State Level Overview – Regulatory Framework”*. Additionally, Sira maintains a Microsoft Dynamics NAV-based enterprise resource planning platform (D-365 Cannabis) that provides internal controls over production inputs, track-and-trace capability, and financial visibility into all aspect of production operations. Compliance with procedures, policies, practices and regulations is monitored every day and potential incidents are handled through a formal Corrective Action/Preventive Action program. Sira holds a monthly Corrective Action/Preventive Action review, in which its management team reviews compliance issues and makes necessary corrections and improvements.

Standard operating procedures in respect of regulatory compliance were developed by each of the Target Businesses and reviewed with the applicable regulators during each Target Business’s initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at each of the Target Businesses are empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

Each of the Target Businesses has detailed standard operating procedures in respect of building security, security of financial instruments, security monitoring systems, security of information, and general security and safety. For example, Washoe and Canopy each employ a security manager at all times to oversee all security protocols and conduct regular security audits which are also overseen by the security manager.

Each of the Target Businesses also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal, and procedures for unauthorized destruction of recreational cannabis.

Each of the Target Businesses has detailed standard operating procedures and protocols for cash management, including internal controls and cash security procedures.

Additionally, each of the Target Businesses has worked with its legal advisors to implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with advisors;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management and legal advisors (for example, CannaPunch’s legal advisors provide mock inspections to assess CannaPunch’s level of compliance on a quarterly basis);
- appropriate employee training for all standard operating procedures; and
- subscriptions to monitoring programs to seek to ensure compliance with the applicable regulatory developments.

While each of the Target Businesses’ business activities are compliant with applicable State and local law, such activities remain illegal under United States federal law. See “*Risk Factors*”.

THE BUSINESS OF THE TARGET BUSINESSES

LivFree Wellness LLC

Business Overview

LivFree is a leading Nevada-based cannabis company with retail dispensary operations in Las Vegas and Reno, Nevada. LivFree operates in both the medical and adult-use segments of the Nevada cannabis market. LivFree operates three retail dispensaries where it sells products purchased in the wholesale market.

LivFree was formed in 2016 through the merger of three predecessor entities, each of which was formed in 2014. LivFree received its initial regulatory approvals in November 2014, received its State, county, and city licenses in 2016. In 2016, LivFree began operating dispensaries under medical licenses and entered the adult-use segment of the cannabis market in 2017.

Key Business Line

LivFree’s key business line is the operation of retail dispensaries.

LivFree operates three dispensaries in Nevada. The Las Vegas dispensary is approximately 3,500 square feet and averaged approximately \$9,800 and \$16,300 in daily sales for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively. The Henderson dispensary is approximately 3,500 square feet and averaged approximately \$9,800 and \$35,800 in daily sales for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively. The Reno dispensary is approximately 7,900 square feet and averaged approximately \$20,400 and \$35,600 in daily sales for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively. All three dispensaries opened in 2016 under medical dispensary licenses. LivFree’s Las Vegas and Reno dispensaries began recreational adult-use sales in July 2017 and the Henderson dispensary began recreational sales in October 2017, the earliest date legally permitted in that jurisdiction.

Leases

LivFree party to a lease with Ponderosa View LLC and Billco Holdings LLC dated June 1, 2018 in respect of the 20,320 square-foot premises located at 3900 W. Ponderosa Way, Las Vegas, Nevada 89118. The term of the lease is for 60 months, and has a base rent of \$14,224.00 per month. The premises are to be used and occupied for the purpose of a marijuana cultivation and production facility and for no other use.

LivFree is party to a lease with EMR Land Co., LLC, dated April 26, 2018 in respect of its marijuana cultivation and production facility located at 445 Eureka Avenue, Reno, Nevada 89512. The term of the lease is 12 months from

June 4, 2018, and expires June 30, 2019. The lease contains a 72-month renewal option and additional 60-month renewal options after that. Base rent for the current period is \$7,030.24 per month.

LivFree is party to a lease among SDDDB Holdings, LLC and Billco Holdings LLC in respect of the property located at 50 N. Gibson Road, Nevada 89014. Base rent for the current period is \$3,286 per month. The property is to be used for the legal, general, administrative, and sales uses associated with a medical cannabis dispensary and other lawfully-related uses (specifically excluding cultivation).

LivFree is party to a shopping center lease with Resort Management Investments, LLC and Saxie Enterprises, LLC dated July 29, 2015 in respect of the premises located at 5347 S. Decatur Boulevard, Las Vegas, Nevada 89118. The lease is 38 months into its first 60-month renewal term with the option to exercise an additional 60-month renewal term in October of 2020. The current rent is calculated at \$2.43 per square foot for a monthly rent of \$6,655.77.

LivFree is party to a lease dated May 1, 2014, with Euphoria Wellness LLC and Serene West, LLC, as assigned to JDSS Investments LLC pursuant to an assignment of lease agreement dated February 6, 2018. The lease is for the roughly 20,000 square foot premises located at 3926 Ponderosa Way, Las Vegas, Nevada 89118.

LivFree is party to a lease agreement with Mark and Phyllis Alexander Family Limited Partnership and Mark and Carolyn Alexander Family Limited Partnership dated July 20, 2014 in respect of the premises located at 100 West Plumb Lane, Reno, Nevada 89509. The lease term is for 120 months from September 1, 2014, and expires July 31, 2021, with two 36-month renewal options. The base rent is for \$6,900 per month with 5% increases per year. LivFree is obligated by the lease agreement to use the premises in strict compliance with all State and local cannabis laws and maintain all permits, licenses, and approvals for the State of Nevada and City of Reno.

Products

Cannabis and cannabis products dispensed by LivFree include but are not limited to: various cannabis products and accessories such as flowers, concentrates, edibles, topicals and pre-rolls.

Licenses

LivFree maintains numerous licenses for its business and subsidiaries, including State licenses for cultivation, production, distribution, and its dispensaries. LivFree has advised CSAC that it holds the necessary licenses to maintain its operations throughout the State of Nevada.

Currently, LivFree is licensed to operate three medical/recreational dispensary facilities and is licensed to operate two medical cultivation and two production facilities.

Please see Table 1 below for a list of the licenses issued to LivFree in respect of its operations in Nevada.

Table 1: Nevada Licenses

License	Address Attached to License	Expiration/Renewal Date¹⁹	Description
State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	5347 S. Decatur, Las Vegas, NV 89118	June 30, 2019	A medical marijuana dispensary is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to the holder of a valid registry identification card or to another medical marijuana dispensary.

¹⁹ License renewal fees, the costs in respect of which are immaterial, have been omitted.

License	Address Attached to License	Expiration/Renewal Date¹⁹	Description
State of Nevada Retail Marijuana Store License – Department of Taxation	5347 S. Decatur, Las Vegas, NV 89118	June 30, 2019	A retail marijuana store is a business licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers.
State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	50 N. Gibson, Henderson, NV 89014	June 30, 2019	A medical marijuana dispensary is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to the holder of a valid registry identification card or to another medical marijuana dispensary.
State of Nevada Retail Marijuana Store License – Department of Taxation	50 N. Gibson, Henderson, NV 89014	June 30, 2019	A retail marijuana store is a business licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers.
State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation	100 W. Plumb Lane, Reno, NV 89509	June 30, 2019	A medical marijuana dispensary is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to the holder of a valid registry identification card or to another medical marijuana dispensary.
State of Nevada Retail Marijuana Store License – Department of Taxation	100 W. Plumb Lane, Reno, NV 89509	June 30, 2019	A retail marijuana store is a business licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers..
State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	3900 Ponderosa Way, Las Vegas, NV 89118	June 30, 2019	A medical marijuana cultivation facility is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, cultivates, delivers, transfers, transports, supplies or sells marijuana and related supplies to (a) Medical marijuana dispensaries, (b) Facilities for the production of edible marijuana products or marijuana-infused products, or (c) other cultivation facilities.

License	Address Attached to License	Expiration/Renewal Date ¹⁹	Description
State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	3900 Ponderosa Way, Las Vegas, NV 89118	June 30, 2019	A facility for the production of edible medical marijuana products or medical marijuana-infused products is a business that (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, manufactures, delivers, transfers, transports, supplies or sells edible marijuana products or marijuana-infused products to medical marijuana dispensaries.
State of Nevada Medical Marijuana Cultivation Registration Certificate – Department of Taxation	445 Eureka Avenue, Reno, NV 89512	June 30, 2019	A medical marijuana cultivation facility is a business that (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, cultivates, delivers, transfers, transports, supplies or sells marijuana and related supplies to (a) medical marijuana dispensaries; (b) facilities for the production of edible marijuana products or marijuana-infused products; or (c) other cultivation facilities.
State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation	445 Eureka Avenue, Reno, NV 89512	June 30, 2019	A facility for the production of edible medical marijuana products or medical marijuana-infused products is a business that, (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, manufactures, delivers, transfers, transports, supplies or sells edible marijuana products or marijuana-infused products to medical marijuana dispensaries.
State of Nevada Marijuana Production License – Department of Taxation (a license number has been assigned by the State of Nevada; however, receipt of the actual license is still pending)	445 Eureka Avenue, Reno, NV 89512	N/A (License pending issuance)	An adult-use marijuana product manufacturing facility is a business licensed to purchase marijuana, manufacture, process, and package marijuana and marijuana products, and sell marijuana and marijuana products to other marijuana product manufacturing facilities and to retail marijuana stores, but not to consumers.

Competitive Conditions

LivFree operates three of 63 dispensaries in the State of Nevada, two in the greater Las Vegas area and one in the Reno area.

Partnerships

LivFree owns 50% of a cultivation and production joint venture (“**JDSS**”) with Euphoria Wellness NV. JDSS owns a cultivation facility called Summa Cultivation at 3926 Ponderosa Way, Las Vegas, NV 89118 with the capacity to produce approximately 200 pounds of cured flower per month. This facility is run jointly by Euphoria Wellness NV and LivFree. JDSS also owns 50% of a production facility located at 5900 Emerald Ave, Las Vegas, NV 89122, half of which is owned by Mirol Consulting.

Washoe Wellness, LLC

Business Overview

Washoe is a Nevada-based cannabis company with cultivation, extraction, processing, manufacturing and distribution capabilities. Washoe operates in both the medical and adult-use segments of the Nevada cannabis market. Washoe has a strategic relationship with Canopy, which operates dispensaries under the MYNT Cannabis dispensary brand, as further discussed below.

Washoe was founded on August 5, 2014, received its initial regulatory approvals in November 2014 and was granted some of the earliest State, county, and municipal cannabis licenses in 2015, coinciding with the completion of its first facilities. In 2017, Washoe acquired the 54,000 square foot building that houses its cultivation, extraction and manufacturing/production operations and an additional 15 acres of land. It also obtained provisional regulatory approvals for cultivation and extraction. Washoe began construction of an expansion to its existing facilities in 2017. Washoe plans to complete this expansion in the first quarter of 2019 for a targeted threefold expansion of Washoe's output capacity. Washoe also anticipates that expansion will provide Washoe with vertical integration capabilities.

Key Business Lines

Washoe operates in four business segments: cultivation, extraction, manufacturing/production and distribution. The cultivation segment includes the growing of raw cannabis from clones, including breeding, genetics and hybridization activities. The extraction segment includes the processing of cannabis plant material into cannabis oil and refined extract products. The manufacturing/production segment includes the finishing of dried/cured cannabis into finished flower, pre-rolls and other dried plant products, as well as the manufacturing of infused products such as edibles, tinctures and topicals. The distribution segment includes selling Washoe's flower, oil and cannabis consumer goods into the Nevada wholesale market.

Cultivation

Washoe operates a 33,000 square foot cultivation facility in Sparks, NV, with over 11,500 square feet under canopy as of October 2018. The cultivation facility produced approximately 2,400 and 1,700 pounds of cannabis raw product for the year ended December 31, 2017 and the nine months ended September 30, 2018 respectively. The facility houses 35 employees focused on its cultivation operations, including a director of cultivation with over 25 years of experience in plant cultivation. Washoe has established strict operating procedures designed to ensure the cultivation of quality cannabis on a consistent basis, including cloning plants to ensure consistency, establishing strict recipes for the cultivation operation, and constant plant-level monitoring. Washoe utilizes state-of-the-art systems and processes for the operation, management, and tracking of its cultivation program. Examples include automated climate monitoring and dosing, automated light controls, and handheld monitoring systems for use by cultivation employees.

Washoe cultivates 36 strains of cannabis of the sativa, indica and hybrid varieties on a rotating basis, with strain selection determined by a combination of cultivation success and end user preference and demand. The growth rate of strains varies, and as a whole the cultivation facility produces five grow cycles per year at an average of sixteen weeks per cycle.

Extraction

Washoe produces 160 pounds of cannabis oil per year at its Sparks facility. Washoe uses solvent extraction, including supercritical CO₂ extraction and closed loop hydrocarbon extraction, to produce cannabis oil and downstream combinations of heat and pressure to produce finished extract products. Washoe's extraction processes produce cannabis oil for use in vape pen product lines (including oil cartridges and disposable pens), retail oil products, and oil used in other infused products, as well as finished extract products such as sap, shatter, honeycomb, and badder.

Manufacturing / Production

Washoe operates a 3,500 square foot manufacturing and production facility within the larger 54,000 square foot building in Sparks, NV. The facility houses 11 employees focused on its manufacturing and production operations.

Washoe produced approximately 1,200 pounds and 780 pounds of cannabis from its cultivation operations for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively. Washoe's manufacturing and production operations sold \$3.5 million, comprised of approximately 280,000 units for the year ended December 31, 2017 and \$2.5 million comprised of approximately 235,000 units for the nine months ended September 30, 2018, respectively.

Washoe produces a variety of cannabis and cannabis extraction-based products. High quality extraction equipment allows Washoe to produce cannabis oil (both THC and CBD-focused) used in a variety of products, including vape pens, tinctures, gummies, edibles, and topicals. Washoe's manufacturing capabilities allow it to manufacture products with varying amounts and ratios of CBD and THC allowing it to meet a wide variety of product and customer needs.

Distribution

Washoe maintains a team that wholesales its products to dispensaries across Nevada, with a focus on Reno (where it also sells infused products to Reno's Mynt dispensaries) and Sparks. In addition, Washoe works with a logistics partner for the Las Vegas market. Washoe maintains cross-jurisdictional licenses in Nevada to ensure its brands can be distributed across the State.

All of Washoe's sales are through its distribution/wholesale operations.

Financing

Washoe finances its operations in part from loans by certain lenders, including a loan from JOCHCO Investments, LLC, a landlord to its facility located at 132 E. 2nd Street in Reno, Nevada 89501, in the amount of \$6,561,818.38, pursuant to the Member Loans to the Company, dated November 5, 2014, and the Restated Revolving Line of Credit Promissory Note, dated January 1, 2017, which are payable at a 6% interest rate and is to be repaid in full in connection with the closing of the Transaction, a loan in the amount of \$2,400,000 evidenced by the Note Secured by Deed of Trust, dated August 24, 2017, owed to Starker Services, Inc. which is payable at a 5% interest rate and is intended to be repaid in full in connection with the closing of the Transaction, and a loan in the amount of \$190,000 evidenced by the Note Secured by Deed of Trust dated June 6, 2018 owed to 320 North Carson Street, LLC which is payable at a 6% interest rate and is intended to be repaid in full in connection with the closing of the Transaction.

Intellectual Property

As of the date hereof, Washoe has registered three trademarks with the Principal Register with the US Patent and Trademark Office and several additional applications filed with the State of Nevada for the following:

- "Y" (word mark with a design element);
- "KYND" (word mark); and
- "KYND" (word mark with a design element).

Leases

Washoe is party to a sublease dated March 1, 2017 with Kynd-Strainz, LLC, an affiliate of Canopy. The agreement is for the sublease by Kynd-Strainz, LLC of the single-parcel retail center owned by JOCHCO Investments, LLC to be constructed by Washoe at the northeast corner of the intersection of Lake Street and E. 2nd Street in Reno, specifically, the building located at 132 E. 2nd Street, Reno, Nevada 89501. The term commenced on March 1, 2017, and continues for 5 years with 3 options to extend the term for an additional 5 years. Minimum base rent for the current period is \$19,783.41 per month. The premises are to be used and occupied for the purpose of a medical marijuana dispensary and/or recreational marijuana dispensary and for no other use.

Licenses

Washoe maintains numerous licenses for its business and subsidiaries, including State licenses for marijuana cultivation, production, and distribution. Washoe has advised CSAC that it keeps local jurisdictional licenses and cross-jurisdictional licenses for each of its operations so that it can operate throughout the State of Nevada.

Currently, Washoe is licensed to operate two medical and adult-use cultivation facilities, two production facilities and one distribution facility.

Please see Table 2 below for a list of the licenses issued to Washoe in respect of its operations in Nevada.

Table 2: Nevada Licenses

License	Address Attached to License	Expiration/Renewal Date²⁰	Description
State of Nevada Medical Marijuana Cultivation Facility – Department of Taxation (Issued to Tahoe-Reno Botanicals, LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	June 30, 2019	A medical marijuana cultivation facility is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, cultivates, delivers, transfers, transports, supplies or sells marijuana and related supplies to (a) medical marijuana dispensaries, (b) facilities for the production of edible marijuana products or marijuana-infused products, or (c) other cultivation facilities.
State of Nevada Marijuana Cultivation Facility License – Department of Taxation (Issued to Tahoe-Reno Botanicals, LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	June 30, 2019	An adult-use marijuana cultivation facility is a business licensed to cultivate, process, and package marijuana, to have marijuana tested by a marijuana testing facility, and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other marijuana cultivation facilities, but not to consumers.
State of Nevada Medical Marijuana Production Registration Certificate – Department of Taxation (Issued to Tahoe-Reno Extractions, LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	June 30, 2019	A facility for the production of edible medical marijuana products or medical marijuana-infused products is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, manufactures, delivers, transfers, transports, supplies or sells edible marijuana products or marijuana-infused products to medical marijuana dispensaries.
State of Nevada Marijuana Product Manufacturing License – Department of Taxation (Issued to Tahoe-Reno Extractions, LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	June 30, 2019	An adult-use marijuana product manufacturing facility is a business licensed to purchase marijuana, manufacture, process, and package marijuana and marijuana products, and sell marijuana and marijuana products to other marijuana product manufacturing facilities and to retail marijuana stores, but not to consumers.

²⁰ License renewal fees, the costs in respect of which are immaterial, have been omitted.

License	Address Attached to License	Expiration/Renewal Date ²⁰	Description
The State of Nevada Marijuana Distribution Facility License – Department of Taxation (Issued to Tahoe-Reno Extractions, LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	June 30, 2019	An adult-use marijuana distributor is a business licensed to transport marijuana from a marijuana establishment to another marijuana establishment.
Medical/Retail Marijuana Cultivation Facility (Issued to Tahoe-Reno Botanicals LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	December 31, 2018 (issued quarterly)	A facility for the cultivation of marijuana is a business: (i) licensed by the State of Nevada; and (ii) that acquires, possesses, manufactures, transfers, transports, supplies or sells marijuana and related supplies to any other marijuana establishment
Medical/Retail Marijuana Production Facility (Issued to Tahoe-Reno Extractions LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	December 31, 2018 (issued quarterly)	A facility for the production of edible marijuana products or marijuana-infused products is one that: (i) is licensed by the State of Nevada; and (ii) acquires, possesses, manufactures, delivers, transfers, transports, supplies, or sells edible marijuana products or marijuana-infused products to any other marijuana establishment.
Retail Marijuana Distributor (Issued to Tahoe-Reno Extractions LLC dba Kynd Cannabis Company)	1645 Crane Way, Sparks, NV 89431	December 31, 2018 (issued quarterly)	A marijuana distributor is: (i) licensed by the State of Nevada; and (ii) transports marijuana and marijuana-infused products from one marijuana establishment to another marijuana establishment.

Legal Matters

Washoe is currently in communication with the IRS with respect to a potential issue involving the timely filing of its 2017 tax returns. The potential liability amount as a result thereof is under \$15,000. Pursuant to the Washoe Agreement, the sellers are required to indemnify CSAC in respect of any losses arising therefrom.

Competitive Conditions

Washoe operates cultivation, production and manufacturing facilities in the State of Nevada, with cross-jurisdictional licenses that allow it to take advantage of lower costs of operating in northern Nevada and distribution capabilities accessing the large southern Nevada markets, including the Las Vegas metropolitan area.

Canopy NV, LCC

Business Overview

Canopy is a leading owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, NV. Canopy operates its dispensaries in both the medical and adult-use recreational markets under the Mynt Cannabis dispensary brand. Canopy maintains a strategic relationship with Washoe, which provides cultivation, extraction and manufacturing services and supplies the majority of its products at arms-length prices.

Canopy was founded in January 2016 and secured two provisional dispensary licenses in March 2016. After completing the required regulatory process, Canopy relocated both licenses in May 2016 and established the Mynt Cannabis dispensary brand. The first dispensary opened in March 2017 and was the only dispensary located in downtown Reno at the time. The second dispensary opened in August 2018 in the North Valley area. Adult-use

retail store licenses were secured by Canopy and adult-use product sales began in July 2017 and August 2018 for the Reno and North Valley locations, respectively.

Key Business Segment

Canopy's key business segment is the operation of medical and retail dispensaries.

Retail

Canopy owns and operates two dispensaries in Nevada. The Reno dispensary is approximately 3,300 square feet and averaged approximately \$23,300 and \$28,900 in daily sales for the year ended December 31, 2017 and the nine months ended September 30, 2018 respectively. The North Valley dispensary is approximately 3,600 square feet and only started sales in late August 2018.

Canopy also operates a delivery service that currently uses a combination of its own proprietary online platform and third-party service providers to deliver product within a 50-mile radius. Canopy's retail operations employ approximately 60 people between its two retail locations and its delivery service.

Intellectual Property

As of the date hereof, Canopy has filed two trademarks with the State of Nevada for the following brand:

- "Mynt" (word mark)
- "Mynt" (trade name)

Leases

Kynd-Strainz, LLC, an affiliate of Canopy, is party to a sublease agreement dated March 1, 2017 with Washoe. The agreement is for the sublease of the single-parcel retail center owned by JOCHCO Investments, LLC to be constructed by Washoe at the northeast corner of the intersection of Lake Street and E. 2nd Street in Reno, specifically, the building located at 132 E. 2nd Street, Reno, Nevada 89501. The term commenced on March 1, 2017, and continues for 5 years with 3 options to extend the term for an additional 5 years. Minimum base rent for the current period is \$19,783.41 per month. The premises are to be used and occupied for the purpose of a medical marijuana dispensary and/or recreational marijuana dispensary and for no other use.

Lemon Aide, LLC, an affiliate of Canopy, is party to a lease agreement dated July 15, 2016 with FDM LLC for the real property located at 340 Lemmon Drive, Reno, Nevada 89506. The initial term is for 10 years with an option to extend the term for an additional 10 years. The minimum monthly rent pursuant to the First Amendment to the lease agreement is set at \$2.14 per square foot for a total of \$10,272 per month, triple net. A portion of the premises are to be used for a medical marijuana dispensary and/or recreational marijuana, and the remainder of the premises is to be used for retail and other commercial use.

Licenses

Currently, Canopy has advised CSAC that it is licensed to operate two medical/recreational dispensary facilities.

Please see Table 3 below for a list of the licenses issued to Canopy in respect of its operations in Nevada.

Table 3: Nevada Licenses

License	Address Attached to License	Expiration/Renewal Date²¹	Description
State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation (Issued to Kynd-Strainz, LLC dba MYNT Cannabis Dispensary)	132 E. 2nd St., Reno, NV 89501	June 30, 2019	A medical marijuana dispensary is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to the holder of a valid registry identification card or to another medical marijuana dispensary.
State of Nevada Retail Marijuana Store License – Department of Taxation (Issued to Kynd-Strainz, LLC dba MYNT Cannabis Dispensary)	132 E. 2nd St., Reno, NV 89501	June 30, 2019	A retail marijuana store is a business licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers.
City of Reno – Medical Marijuana Dispensary	132 E. 2nd St., Reno, NV 89501	December 31, 2018 (issued quarterly)	A medical marijuana dispensary is a business that: (i) is registered with the Department pursuant to NRS 453A.322 and (ii) acquires, possesses, delivers, transfers, transports, supplies, sells or dispenses medical marijuana or related supplies and educational materials to the holder of a valid medical marijuana registry identification card.
Marijuana Establishment – Retail Marijuana Store	132 E. 2nd St., Reno, NV 89501	December 31, 2018 (issued quarterly)	A retail marijuana store is an entity licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers.
State of Nevada Medical Marijuana Dispensary Registration Certificate – Department of Taxation (Issued to Lemon Aide LLC dba MYNT Cannabis Dispensary)	340 Lemmon Drive, Reno, NV 89506	June 30, 2019	A medical marijuana dispensary is a business that: (i) is registered with the Department pursuant to NRS 453A.322; and (ii) acquires, possesses, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to the holder of a valid registry identification card or to another medical marijuana dispensary.

²¹ License renewal fees, the costs in respect of which are immaterial, have been omitted.

License	Address Attached to License	Expiration/Renewal Date ²¹	Description
State of Nevada Retail Marijuana Store License – Department of Taxation (Issued to Lemon Aide LLC dba MYNT Cannabis Dispensary)	340 Lemmon Drive, Reno, NV 89506	July 31, 2019	A retail marijuana store is a business licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers.
Washoe County Marijuana License (Issued to Lemon Aide LLC dba MYNT Cannabis Dispensary)	340 Lemmon Drive, Reno, NV 89506	December 31, 2018 (issued quarterly)	An entity that is a retail marijuana store and medical marijuana dispensary is authorized to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers.

Legal Matters

Strainz NV LLC, which currently owns a 40% membership interest in Canopy, has indicated that it may bring legal action in respect of the purchase price paid for its interest in Canopy. Pursuant the Canopy Agreement and the Washoe Agreement, CSAC has agreed to indemnify Canopy in respect of all costs incurred by Canopy in connection with resolution of any such litigation in excess of an agreed upon amount, such amount being reflective of CSAC’s understanding, based on discussions with Canopy and Washoe, of the possible outcomes to this matter during the negotiation of the Canopy Agreement and the Washoe Agreement. See “*Legal Proceedings and Regulatory Actions*”.

Canopy is currently in communication with the IRS with respect to a potential issue involving the timely filing of its 2017 tax returns. The potential liability amount as a result therefrom is under \$30,000. Pursuant to the Canopy Agreement, the sellers are required to indemnify CSAC in respect of any losses arising therefrom.

Products

Cannabis and cannabis products dispensed by Canopy include but are not limited to various cannabis products and accessories such as flowers, concentrates, edibles, topicals, and pre-rolls.

Competitive Conditions

Canopy operates two of approximately 65 dispensaries in the State of Nevada, both in the Reno area. Canopy’s Reno location is Reno’s only downtown dispensary adjacent to Harrah’s Casino and will remain the only downtown dispensary due to the zoning changes in that district, and due to this dispensary being grandfathered in under existing regulations that prohibit additional dispensaries in the area. Management expects that Canopy’s North Valley location is unlikely to have nearby competing dispensaries due to the limited amount of new licenses allocated and the lack of available parcels in the surrounding area that meet the strict zoning and buffering requirements.

Sira Naturals, Inc.

Business Overview

Sira is a vertically-integrated cannabis company with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations in Massachusetts. Sira operates three medical dispensaries, which is the maximum number allowed to a single operator under Massachusetts State law, where it sells products supplied by its integrated cultivation and productions operations to medical marijuana patients. As of November 30, 2018, Sira operates only

in the Massachusetts medical cannabis market, but has received Final Licenses to cultivate, manufacture and transport cannabis and cannabis products for adult-use purposes (subject to final inspections before commencement of operations).

Sira was formed in 2013 as a not-for-profit named Bay State Patients' Group, Inc. Sira received its first medical license in February 2014 and its facilities were designed and constructed from 2014 to 2016 with operations commencing in August 2016. Sira subsequently opened dispensaries in Cambridge, Somerville, and Needham opening in March 2017, September 2017, and February 2018, respectively. Sira was granted the first provisional cultivation license under the Massachusetts adult-use program in June 2018.

Key Business Lines

Sira operates business segments in cultivation, extraction, manufacturing/production and retail in the medical cannabis market. The cultivation segment includes the growing of raw cannabis from clones. The extraction segment includes processing of cannabis plant material into cannabis oil and refined extract products. The manufacturing and production segment includes finishing of dried/cured cannabis into finished flower, pre-rolls or other dried plant products, as well as the manufacturing of infused products such as edibles, tinctures and topicals. The retail segment includes the operating of Sira's dispensaries.

Cultivation

Sira operates a 30,000 square foot cultivation facility in Milford, MA, with 13,000 square feet under canopy. The cultivation facility has the capacity to produce up to 5,000 pounds of high-quality cannabis flower annually. The facility houses 20 employees focused on its cultivation operations. Sira has established strict operating procedures designed to ensure the cultivation of quality cannabis on a consistent basis, such as proprietary nutrient formulations, strict adherence to environmental parameters and meticulous processing policies and procedures.

Sira utilizes state-of-the-art systems and processes for the operation, management, and tracking of its cultivation program. Environmental and lighting functions are controlled by a building management system that ensures environmental parameters never deviate beyond set-point tolerances. Automated fertigation systems control metered dosing of water, fertilizers and micro-nutrients. Sira's quality assurance team ensures that best manufacturing practices are observed throughout the facility. Sira maintains an enterprise resource planning platform that provides strict internal controls over production variables and financial visibility into all aspect of Sira's operations.

Sira cultivates 30 cannabis strains of the sativa, indica and hybrid varieties at its facility on a rotating basis, with strain selection determined by a combination of cultivation success and end user preference/demand. The growth rate of strains varies, and as a whole the cultivation facility produces five to six flower cycles per year at an average of sixty days per cycle.

Extraction

Sira has the capacity to produce up to 510 pounds of cannabis oil per year at its Milford facility, using various extraction methods depending on the end use planned for the extracted oil. Sira utilizes proprietary extraction methods including solvent extraction and downstream combinations of heat and pressure to produce finished high-quality cannabis oil. Sira's cannabis oil is used in vaporizer cartridges and as an input into other infused products. Sira uses innovative mechanical extraction techniques and post-extraction processes to produce high quality cannabis concentrates including resin, shatter, wax, and others. Sira derives nearly 40% of its top line sales from extraction products.

Manufacturing / Production

Sira's manufacturing and production activities take place in the Milford facility alongside its cultivation and extraction activities, and include the curing and packaging of finished flower products such as pre-rolls and other dried plant products. Additionally, Sira uses processed cannabis oil as an input to the manufacturing of infused products such as edibles (caramels, brownies, lozenges and infused sugar), tinctures and topicals.

Sira employs 20 people in its manufacturing and production segment. Sira utilizes an array of mechanized food manufacturing systems including extruders, emulsifiers, and high shear mixers. Additionally, Sira uses a combination of human and mechanized labor in packaging its products. On its packaging floor, Sira uses a flow-wrapper, backer card and blister sealing machine, as well as fillers, conveyers and heat tunnels to ensure the quality and professional appearance of its finished infused products.

Sira sells and distributes the majority of its extracts and manufactured products to its own dispensaries, but also wholesales and distributes its products to other Massachusetts retail locations. Additionally, in October 2018, Sira became the second approved filler of PAX vaporizer cartridges in Massachusetts.

Distribution

Sira maintains a team responsible for selling excess finished flower, trim, extracts and cannabis consumer goods into the wholesale market. Sira provides white label flower to other Massachusetts dispensaries as well as finished Sira-branded flower, vaporizer cartridges, concentrates, and cannabis infused products. Sira sold approximately 300 pounds of finished flower into the Massachusetts wholesale market for the year ended December 31, 2017, and approximately 1,200 pounds for the nine months ended September 30, 2018.

Retail

Sira operates three dispensaries in the greater Boston area, one in each of Cambridge, Somerville and Needham. The Cambridge dispensary is approximately 5,000 square feet and averaged approximately \$13,800 in daily sales for the year ended December 31, 2017 and averaged approximately \$11,800 in daily sales for the nine months ended September 30, 2018. The Somerville dispensary is approximately 5,000 square feet and averaged approximately \$11,300 in daily sales for the year ended December 31, 2017 and averaged approximately \$12,900 in daily sales for the nine months ended September 30, 2018. The Needham dispensary is approximately 4,000 square feet and averaged approximately \$8,100 in daily sales for the year ended December 31, 2017. All three dispensaries currently operate under medical dispensary licenses. Sira is planning to co-locate adult-use retail sales with existing medical operations at its dispensary locations once adult recreational use is approved in each local jurisdiction.

The current breakdown of sales by category is approximately 53% cannabis flower, 40% cannabis concentrates and extracts, and 7% cannabis infused products.

Leases

Sira is party to a lease agreement with Corner Brook, LLC, dated November 15, 2013 in respect of the Milford facility at 13 Commercial Way, Milford, MA 01757. The lease commenced on November 15, 2013, and expires 20 years from the commencement date unless an extension is agreed upon in writing. Minimum rent is subject to additional rent and yearly increases. For the current period, the minimum monthly rent payment is \$24,920.00.

Sira is party to a lease with Mass. Avenue 997 Nominee Trust, dated September 15, 2016 in respect of the Cambridge dispensary located at 997-1013 Massachusetts Avenue, Cambridge, MA 02138. The lease commenced on September 15, 2016, and expires on September 30, 2021. Base monthly rent is \$7,269.00 subject to upward adjustment in certain enumerated circumstances. The premises are to be used for a Registered Marijuana Dispensary as permitted under applicable Massachusetts law and for no other purpose. An amendment dated June 27, 2018, modifies the permitted use section of the lease to allow for lawful adult-use sales of marijuana on the premises.

Sira is party to a lease with Ap 240 Elm St., LP dated May 2, 2017 in respect of the Somerville dispensary located on the lower level of the building located at 240 Elm Street, Somerville, Massachusetts. The lease term expires on the last day of the 60th full month following the commencement date of May 2, 2017. The base rent is payable in monthly installments, beginning on the commencement date and ending on the expiration date, as per the base rent table in the lease agreement. The premises are to be used as a Registered Marijuana Dispensary and for ancillary retail sales and office use solely related to the medicinal (or humanitarian) use of marijuana as contemplated by applicable Massachusetts law. An amendment dated January 10, 2018, modifies the permitted use section to include the adult-use and sale of marijuana and marijuana-infused products in accordance with applicable law.

Sira is party to a lease with Mad Dog Realty Trust, dated October 17, 2016 in respect of the Needham dispensary located at 29 and 37 Franklin Street, Needham, Massachusetts. The lease term begins on the date of the lease and expires on the last day of the 60th full month following such commencement date, or on the last day of any extension term. The base rent per annum for the first 12 months of the lease term is \$90,000.00. The base rent during each succeeding year of the lease term shall increase by the greater of 3% over the base rent and the percentage increase of the Consumer Price Index published by the Bureau of Labor Statistics Clerical Works and Urban Wage Earners. The premises are to be used as a Registered Marijuana Dispensary and for ancillary office use, and for no other purpose without prior written consent of the landlord.

Products

Cannabis and cannabis products produced by Sira include but are not limited to: cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral solution, sublingual solution, cannabis edible products, cannabis tincture products and other cannabis-infused products. Each of Sira’s facilities have enclosed, separate, locked product storage areas that are locked and under surveillance at all times.

Licenses

Sira has advised CSAC that it maintains the licenses needed to operate its business, including State and local licenses for cultivation, production, distribution, and its dispensaries.

Sira has advised CSAC that it is currently licensed to operate three medical dispensary facilities, three medical dispensary facilities, and one collocated adult-use and medical cultivation and production facility, the first such adult-use cultivation and production facility under the Massachusetts adult-use program.

Please see Table 4 below for a list of the licenses issued to Sira in respect of its operations in Massachusetts.

Table 4: Massachusetts Licenses

License	Address Attached to License	Expiration/Renewal Date²²	Description
Registered Marijuana Dispensary Registration	1001 Massachusetts Avenue, Cambridge, MA 02138	April 29 of each year	Final license allows for the dispensing of cannabis at the Cambridge facility and the cultivation and processing of cannabis at the Milford facility.
Registered Marijuana Dispensary Registration	240 Elm Street, Somerville, MA 02114	April 27 of each year	Final license allows for the dispensing of cannabis at the Somerville property and the cultivation and processing of cannabis at the Milford facility.
Registered Marijuana Dispensary Registration	29 Franklin Street, Needham, MA 02492	May 12 of each year	Final license allows for the dispensing of cannabis at the Needham property and the cultivation and processing of cannabis at the Milford facility.
Marijuana Establishment (Cultivation/Tier 3 – Indoor)	13 Commercial Way, Milford, MA 01757	July 30, 2019	Final license allows for cultivation of adult-use cannabis at the Milford facility.
Marijuana Establishment (Product Manufacturer)	13 Commercial Way, Milford, MA 01757	July 30, 2019	Final license allows for product manufacture of adult-use cannabis at the Milford facility.
Marijuana Establishment (Transporter with Other Existing ME License)	13 Commercial Way, Milford, MA 01757	July 30, 2019	Final license allows for transport of adult-use cannabis.

²² License renewal fees, the costs in respect of which are immaterial, have been omitted.

Competitive Conditions

Sira operates three of 39 dispensaries in the State of Massachusetts, all in the greater Boston area. In addition to its dispensaries, Sira operates cultivation, production and manufacturing facilities in the serving its dispensary locations and the wholesale market. Sira anticipates that there will continue to be a limited number of storefront retail dispensaries in Massachusetts in the short/medium-term for several reasons. Most importantly, the licensing process is challenging at both the State and local levels. Furthermore, over half of the municipalities in Massachusetts have either banned or have placed a moratorium on adult-use cannabis, while municipalities that are moving forward with adult-use cannabis initiatives are generally limiting the number of stores through zoning restrictions and similar measures.

Intellectual Property

As of the date hereof, Sira has registered the following four trademarks:

- “Feel Better”
- “Grown With Love”
- “Just Say Grow”
- “The Science of Feeling Better”

Sira is party to a licensing agreement with Natural Extractions Inc. dated January 1, 2017 in respect of the licensed brand “ZOOTs”. Pursuant to this agreement, Sira leases from Natural Extractions Inc. certain equipment that extracts cannabinoids from marijuana plants. Sira also purchases ingredient kits and recipes from Natural Extractions Inc pursuant to this agreement. Additionally, Sira holds a license from Natural Extractions Inc. to use the “ZOOTs” trademarks in connection with Sira’s manufacturing, marketing, promotion, advertisement, sale, and distribution of edible products in Massachusetts. The initial term of the agreement is for five years from the effective date of January 1, 2017. There is an option for an additional one-year term after the conclusion of the initial term.

CannaPunch of Nevada, LLC

Business Overview

CannaPunch produces branded cannabis consumer goods at a 5,000 square foot manufacturing facility in Las Vegas, Nevada. The CannaPunch salesforce distributes these products into the wholesale market, with a presence in 65 dispensaries in Nevada as of November 2018. CannaPunch extracts raw cannabis plant material to create processed cannabis oil for use in vaporizer cartridges and pens or as an input into other infused products, as well as finished extract products such as wax and shatter. CannaPunch manufactures a variety of cannabis-infused products, including beverages, gummies, chocolates, CBD cream, and vaporizer pens. The CannaPunch brands, which are more particularly described below, originated in Colorado.

CannaPunch was formed in April 2017 and immediately began operations. Key brands include CannaPunch (beverages), Highly Edible (vegan, non-GMO gummies), Dutch Girl (chocolates and waffles), Nordic Goddess (CBD cream), and Tumbleweed (wax, shatter and vaporizer pens).

Key Business Lines

CannaPunch operates three key business areas: extraction, manufacturing and distribution.

Extraction

CannaPunch’s extraction team produces 250 pounds of cannabis oil per year from trim sourced from the wholesale market in Nevada. CannaPunch uses a hydrocarbon extraction process along with a proprietary emulsification process to produce cannabis water-soluble hash oil. These extracts are then used to produce cannabis-infused products. Under its Tumbleweed brand, CannaPunch produces wax, shatter and vaporizer pens for distribution into the wholesale market. Additionally, in October 2018 CannaPunch became one of two approved fillers of PAX vaporizer cartridges in Nevada.

Manufacturing

CannaPunch produces a variety of infused cannabis consumer goods with its 12 person manufacturing workforce. CannaPunch uses cannabis oil processed using its nano extraction technology as an input into the manufacturing of infused edibles under its Highly Edibles (gummies), Dutch Girl (chocolates and waffles) and CannaPunch (beverages) brands.

CannaPunch took in over 1,800 pounds and over 2,100 pounds of cannabis for the year ended December 31st, 2017 and the nine months ended September 30th, 2018, respectively. For the year ended December 31st, 2017, beverages and gummies made up 24% and 64% of sales, comprised of approximately 75,000 and 150,000 units, respectively. For the nine months ended September 30th, 2018, beverages and gummies made up 17% and 74% of sales, comprised of approximately 71,000 and 300,000 units, respectively.

Distribution

CannaPunch maintains a salesforce responsible for marketing its own brands and those manufactured under license to retail dispensaries in Nevada. CannaPunch products can be found in 65 dispensaries in Nevada as of November 2018.

Substantially all of CannaPunch's revenues were made through its distribution business line. Sales for the year ended December 31st, 2017 and the nine months ended September 30th, 2018 were approximately \$3.0 million and \$5.6 million, respectively.

Licenses

As of October 2018, CannaPunch operates under a revenue sharing license agreement with Integral Associates dated December 31, 2017, wherein CannaPunch pays Integral Associates 50% of the EBITDA generated by sales of the product produced by facilities operated by Essence/Desert Grown Farms. CannaPunch has advised CSAC that it has provided notice of termination of such agreement to Integral Associates, and upon completion of the Transaction plans to relocate to LivFree's premises at 3900 W. Ponderosa Way, Las Vegas, Nevada 89118 in order to operate under LivFree's licenses that attach to such address. See "*Description of the Target Businesses – LivFree Wellness LLC*".

NARRATIVE DESCRIPTION OF THE BUSINESS OF CSAC

CSAC is a SPAC incorporated under the laws of the Province of Ontario. CSAC was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination involving CSAC that will qualify as its "qualifying transaction".

As part of the Transaction, it is contemplated that CSAC will complete the acquisition of the Target Businesses subject to various closing conditions in respect of each of the acquisitions pursuant to the Transaction. However, CSAC has no control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that all of such acquisitions will be consummated. CSAC may proceed to complete less than all of such acquisitions. . The by-laws of Henderson, MA currently prohibit public company ownership of cannabis operations located in Henderson. Accordingly, unless such by-laws are changed, CSAC will not be able to acquire LivFree's Henderson operations or any interest therein. CSAC understands that the City of Henderson's municipal code may be amended to allow public company ownership of cannabis operations located in the City of Henderson jurisdiction in the near-to-medium term, though no such amendments can be assured and, accordingly, the Henderson location may need to be excluded from the Transaction. See "*Risk Factors - The City of Henderson, Nevada, prohibits public company ownership of cannabis businesses*". There is no assurance that all or any of the acquisitions of the Target Businesses will be completed or, if completed, will be on terms that are exactly the same as disclosed in this prospectus.

Company Overview

CSAC, after the Transaction, will be a leading vertically-integrated cannabis company in the United States focused on recreational and wellness applications, with an initial anchor portfolio of high quality vertically-integrated operations in the Eastern and Western United States²³. The Anchor Portfolio was assembled based on anticipated 2018 profitability and strength of the resulting platform for future growth, with a focus on positive Adjusted EBITDA²⁴ and vertical integration in limited license States with large addressable consumer populations.

In connection with the Transaction, CSAC intends to change its name as part of its intended continuance from the laws of Ontario to the laws of British Columbia under the BCBCA. The post-closing head office of CSAC will be located at 590 Madison Avenue, 26th Floor, New York, New York, 10022. CSAC also intends to amend its financial year-end from September 30 to December 31.

CSAC's combined operations will employ over 325 people across three cultivation and production facilities and eight dispensaries across the States of Nevada and Massachusetts. CSAC's post-closing operations, which will be made up of the existing operations of each of the Target Businesses, will be led by proven operators with deep talent pools and expertise to contribute to CSAC's future growth.

CSAC's executive team comprises proven leaders in marketing, healthcare, operations and finance, areas essential for the future success of CSAC.

Chief Executive Officer, Jonathan Sandelman

Mr. Sandelman is a 30-year veteran of banking and finance, with a history of generating shareholder value. He served as President of Bank of America Securities after building its capital markets businesses through the early 2000s, building Bank of America beyond its roots as a consumer and corporate lender, and subsequently founded and served as Chief Executive Officer of the multi-billion dollar asset manager Sandelman Partners, LP.

Executive Vice Chairman, Mark Smith

Starting in 2014 with the legalization of cannabis in Colorado, Mr. Smith has proven himself a world-class cannabis operator. Mr. Smith built a large network of Colorado dispensaries (Tumbleweed), as well as a line of premier edibles and concentrates brands and leading manufacturing capabilities in the Western United States.

Chief Commercial Officer, Chris Burggraeve

Mr. Burggraeve is an award winning global business marketer and active cannabis entrepreneur. He has over 30 years of global marketing experience at Proctor and Gamble Company, the Coca Cola Company, and Anheuser-Busch InBev SA/NV, where he was global Chief Marketing Officer. Mr. Burggraeve has also served as a board member and as the President of the World Federation of Advertisers.

Chief Operating Officer, Jennifer Drake

Ms. Drake is a proven business leader in the contexts of both large blue chip institutions and of lean start-ups. A former Managing Director at Goldman Sachs with extensive M&A experience, Ms. Drake institutionalized the businesses of several multi-billion dollar asset management firms, including spin-offs from Brevan Howard Asset Management and Orix USA/Mariner Investment Group, ensuring compliance with complex regulatory frameworks and creating foundations for accelerated growth.

Head of Wellness (focused exclusively on CBD, Health & Pain Indications), Dr. David Shulkin

Dr. Shulkin is a national thought leader on veterans' health and patient-centered care for all Americans. He is a Former Secretary of the Department of Veterans Affairs under President Trump and Undersecretary under President

²³ Subject to receipt of all necessary State and local regulatory approvals in Nevada and Massachusetts.

²⁴ See "Narrative Description of the Business - Definition and Reconciliation of Non-IFRS Measures".

Obama, with a history of leadership in healthcare organizations including the University of Pennsylvania Health System, Temple University Hospital, Beth Israel Medical Center, and the Morristown Medical Center.

Adding to the strength of its vertically-integrated cannabis operations, CSAC will have a dedicated focus on branding and wellness.

Branding

CSAC's planned branding approach is built on the belief that brands will lead the cannabis industry in the future, resulting in a branding approach across CSAC's operations – in cultivation and processing of raw cannabis products, where high quality and consistency are hallmarks of CSAC's brands, through to its dispensaries, where CSAC will seek to capitalize on the key touchpoint with consumers to position CSAC's brand, its dispensary brands and its consumer branded goods with each interaction. CSAC will combine qualitative branding experience with broad data collection and location-based marketing technology to improve the effectiveness and efficiency of its marketing efforts, including using data-driven techniques to optimize in-store and online experiences and to tailor messaging and content to its customers.

Wellness

CSAC's planned wellness initiative will seek to address the lack of historical attention to the science of cannabis. CSAC's wellness efforts will partner with experienced research and healthcare practitioners with a focus on developing a scientific foundation for health and wellness indications for CBD and other cannaboids, with attendant applications across a variety of potential indications, from chronic pain and sleep disorders to post traumatic stress disorder and opioid replacement. There can be no assurance that any such scientific support will be developed under the CSAC's wellness initiative.

Business Objectives²⁵

CSAC plans to grow its combined post-closing operations by continuing to apply its established approach to the acquisition of individual cannabis-related operations with attractive economic profiles on a standalone basis or as integrated with the existing CSAC businesses. CSAC plans to augment these efforts with its branding and wellness activities, building recognizable consumer-facing brands and bringing to bear its significant product development expertise on a foundation of robust research.

Acquisitions

CSAC anticipates growing its Anchor Portfolio through acquisitions following the closing of the Transaction. Through the process of creating the Anchor Portfolio, CSAC has established a proven process for identifying, diligencing and consummating transactions with attractive, high quality operators, as well as a pipeline of potential future targets.

CSAC intends to seek opportunities to broaden its existing footprint to nearby regions with potential for branding and other synergies, while maintaining a focus on vertical integration in limited license, high addressable consumer States where recreational cannabis use is currently approved or expected to be approved in the near future. Such acquisitions may be directly "plant-touching" or may be in related businesses whose inclusion within the CSAC portfolio would be accretive to future growth prospects.

Organic Growth and Existing Operations²⁵

²⁵ These statements constitute forward-looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. CSAC believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however these expectations may not prove to be correct.

CSAC believes that operational strength, the ability to successfully integrate newly acquired businesses and the ability to develop new “green field” operations will be key aspects of success in the nascent, fragmented U.S. cannabis market going forward.

CSAC expects to have vertically-integrated cultivation, extraction, manufacturing, and distribution capabilities, as well as a portfolio of brands under which it will market its products. CSAC plans to offer a diverse product offering of cannabis and cannabis-infused products, including beverages, edibles, vaporizer cartridges, tinctures, concentrates and others, in addition to wholesale offerings of cannabis, cannabis-infused oils and finished products, which will all be subject to strict quality and safety standards.

One of CSAC’s post-closing priorities is the implementation of a scalable, technology-driven shared infrastructure that implements these standards and monitors CSAC’s operations as CSAC grows and enters new markets. CSAC believes that high standards for quality, safety and regulatory compliance, as well as rigorous operational and financial controls, are critical for maintaining trust with all key stakeholders and a key point of differentiation in a fast growing and consolidating marketplace.

Additionally, CSAC plans to engage in continuous improvement across its operations in an effort to improve its efficiency and quality, and to remain in line with consumer preferences.

- **Cultivation Operations:**²⁵

CSAC will grow over 60 strains of cannabis on a rotating basis, with strain selection determined by a combination of cultivation success and end-user preference/demand. Harvests are tested for a variety of compounds (THC levels, terpene profiles, etc.) as well as for quality control and compliance with local regulations, as applicable. CSAC will build on the best practices already in place within each of the Target Businesses to ensure that its cultivation programs continue to use high standards in their testing regimes, aiding in strain selection with a focus on quality and efficacy.

Across the Anchor Portfolio, year-end 2018 production capacity is expected to include over 23,000 square feet²⁵ under canopy, producing over 1,000²⁵ pounds of finished flower per month, excluding any expansion plans detailed below, based on yields of 0.5 pounds (225 grams) per year per square foot under canopy and the cultivation footprint of the Anchor Portfolio in the fourth quarter of 2018.

- **Extraction & Manufacturing Operations:**²⁵

CSAC’s operations will use several extraction methods, which vary according to the appropriateness of the method for the end product. CSAC will use extraction methods, including hydrocarbon, alcohol and carbon dioxide solvent extraction and downstream combinations of heat and pressure, to produce finished cannabis oil. CSAC’s goal is high quality extraction product for direct consumer use or for use in infused products.

Across the Anchor Portfolio, year-end 2018 extraction capacity is expected to allow for the production of over 100²⁵ pounds of processed oil per month, excluding any expansion plans detailed below, based on the cultivation footprint of the Anchor Portfolio in the fourth quarter of 2018 and flower to oil conversion rates of 15% to 25%

In addition to producing cannabis extracts, the Anchor Portfolio manufactures a variety of infused products which will augment CSAC’s offering to end consumers. Items such as edibles (including chocolates, gummies, caramels, and lozenges), beverages, tinctures and topicals are produced using precision processes under the constraints of quality control and testing regimes. These manufactured goods are beneficial for CSAC both by virtue of providing the opportunity to tailor product development to consumer preference, but also because infused goods generally provide higher margin use of cannabis oil than extracts alone. For example, cannabis oil sold directly for vaporizer pen use in Nevada has a wholesale price of approximately \$86 per gram, while a gram of cannabis oil included in an infused chocolate bar or an infused caramel has an effective retail price of \$130 per gram or \$300 per gram, respectively.

- **Dispensary Operations:**²⁵

CSAC operates dispensaries in high value locations in limited license, recreationally legal States with large addressable populations. CSAC sees the retail environment as a key touchpoint with consumers, allowing CSAC to position the company brand, its dispensary brands and its individual consumer goods brands with

each interaction. As such, the goal of the dispensary experience is to be exciting and inclusive, offering approachable expertise from sales staff and a wealth of product choice for the customer. CSAC believes that this approach, as is the case in other consumer branded goods markets, will increase customer loyalty and wallet share devoted to CSAC products.

Beyond customer experience, CSAC seeks to drive efficiency and profitability through dispensaries. CSAC aims to maximize customer traffic and sales per transaction by location, streamlining operations in order to achieve these goals.

- **Sales Channels Outside Dispensaries:**²⁵

The Anchor Portfolio is comprised of companies engaged in select wholesale activity prior to the Transaction. Following the Transaction, it is anticipated that the bulk of CSAC's flower and oil capacity will be used within the vertically-integrated CSAC network. However, there may be an opportunity to expand branded goods sales beyond CSAC's own store base. CannaPunch was an exclusively wholesale branded cannabis goods manufacturer prior to its acquisition by CSAC pursuant to the Transaction, and CSAC anticipates that the CSAC will continue these activities post-closing. Additionally, other brands acquired as part of the Transaction, as well as new brands licensed or developed post-closing, may be sold through the wholesale channel by CSAC's in place salesforce, consisting of a two person Nevada-based external salesforce, and a three person Massachusetts-based external salesforce.

Although CSAC is not currently engaging in on-demand or mail order delivery of cannabis to end-consumers, it is considered a potential expansion opportunity where possible in accordance with local regulations.

Within the Anchor Portfolio, there are several key opportunities for organic growth (see "*Narrative Description of the Business of CSAC – Capital Investment Strategy*" for a discussion of factors and assumption underlying CSAC's targeted post-closing growth opportunities):

- **Cultivation Expansion:**²⁵

CSAC has in-process projects designed to expand cultivation capacity in Massachusetts and Nevada.

Massachusetts: An additional facility with a planned 20,000 square feet²⁵ of canopy is under construction in the same industrial park as the current Milford, MA cultivation and production facility as of the fourth quarter of 2018 (the "**MA Phase II Facility**"), with an anticipated first harvest from such MA Phase II Facility projected to take place in the third or fourth quarter of 2019.²⁵ A third facility (the "**MA Phase III Facility**") with a further expected 70,000 square feet²⁵ of canopy is in the planning and excavation stage as of the fourth quarter of 2018, with an anticipated first harvest date from such MA Phase III Facility projected to take place in the first quarter of 2020.²⁵ CSAC believes the additional supply generated by this expanded capacity will be well received into Massachusetts' new recreational-use environment.²⁵

Nevada: An additional facility with a planned 14,000 square feet²⁵ of canopy projected to be constructed in available constructed space adjacent to the existing cultivation and production facility in Sparks, NV (the "**Reno Cultivation Expansion**") is in the planning phase as of the fourth quarter of 2018, with an anticipated first harvest date from such facility projected to take place in the third or fourth quarter of 2019.²⁵ CSAC believes such expanded capacity in Nevada will allow for self-sourced product to be supplied to CSAC's dispensary network, and that it will allow for potential increases in CSAC's wholesale distribution activities, as further described below.

- **Extension of Current Nevada-Based Brand Portfolio into Massachusetts:**

As Massachusetts enters the new recreational-use environment, CSAC intends to bring its successful branded products currently sold in Nevada into the nascent Massachusetts recreational-use market. As these branded offerings skew heavily toward higher margin infused products such as edibles, CSAC believes the extension of these brands into the Massachusetts market could have positive impact on revenues and operating margins.

- **Extraction and Manufacturing Realignment:**

Following the completion of the Transaction, CSAC intends to realign its manufacturing operations in Nevada. Manufacturing and wholesale sales and marketing operations will be consolidated in CSAC's

licensed Las Vegas facilities. CSAC believes such realignment can allow for the achievement of economies of scale and efficiencies in production, and that it can extend the reach of CSAC's wholesale distribution channel for previously narrowly marketed products.

*Branding*²⁵

CSAC's branding strategy is expected to focus on: (i) using the Anchor Portfolio's brands and products to greatly improve the customer experience in respect of the U.S. cannabis industry; and (ii) developing new brands to address unmet consumer needs. As the U.S. legal cannabis industry has developed, industry fragmentation and the lack of a critical mass of firms with scale has created an uneven consumer experience. Greatly improving customers' retail experience, creating relevant brands that inform consumers about CSAC's high quality products and bringing high-level marketing practices to bear are core strategic goals for CSAC.

Product development is another core part of CSAC's strategy. Building on the existing, highly competitive Anchor Portfolio, CSAC intends to use its scale and expertise from adjacent industries, such as the alcohol and consumer packaged goods industries, to develop and market new products. Marketing research, leading digital marketing technology and the utilization of cross-industry best practices for efficient evaluation and market testing are expected to be key components of building industry-leading product development capabilities.

*Wellness*²⁵

Following the Transaction, CSAC intends to begin its wellness initiative, the goal of which is to expand the pool of scientific study focused on cannabis, with an aim to provide robust support for potential indications of CBD and other cannabinoids as beneficial across a variety of potential indications, from chronic pain and sleep disorders to post traumatic stress disorder and opioid replacement. There can be no assurance that any such scientific support will be developed under CSAC's wellness initiative.

Capital Investment Strategy

Significant Events and Milestones

The principal milestones that are planned to occur during the 12-month period following the Transaction for the successful completion of the business objectives described above includes: (i) the commencement of recreational cannabis sales in Massachusetts; and (ii) the completion (on schedule and within budget) of the proposed facility expansion plans described above.

*Investments Required*²⁵

CSAC intends to make a variety of investments in 2019 in order to support the targeted organic growth of the Anchor Portfolio. Identified investments for 2019 include the following:²⁵

- \$4 to 6 million in estimated costs expected to be incurred through the first six months of 2019 to construct the MA Phase II Facility;
- \$18 to \$20 million in estimated costs expected to be incurred throughout 2019 to construct the MA Phase III Facility;
- \$4 to 5 million in estimated costs expected to be incurred in the first six months of 2019 to construct the Reno Cultivation Expansion;
- \$1 million in estimated costs expected to be incurred in the first six months of 2019 to outfit existing Anchor Portfolio facilities in Las Vegas to align extraction, production, and manufacturing capacity capabilities;
- \$1 million expected to be incurred in the first quarter of 2019 in expansion-oriented equipment purchases to support CSAC's manufacturing and production operations.

The Reno Cultivation Expansion will add approximately 14,000 square feet²⁵ of additional canopy to CSAC's cultivation operations – a 100% increase. The site for the Reno Cultivation Expansion is adjacent to the existing

Reno cultivation facility and is expected to be housed in an existing structure. This facility has been designed to allow for the expansion of existing cultivation operations, and is expected to yield similar amount of raw cannabis product per square foot as generated by the current Reno cultivation footprint. Once completed, the Reno Cultivation Expansion is expected to nearly double CSAC's overall cultivation capacity in the state of Nevada²⁵. The total cost for the Reno Cultivation Expansion is expected to be \$4 to 5 million, which is expected to be incurred throughout the first six months of 2019,²⁵ with construction expected to be completed in the third quarter of 2019. Upon completion of construction, the Reno Cultivation Expansion is expected to be fully operational subject to all necessary inspections and approvals by applicable State and local regulatory authorities. The first harvest from the Reno Cultivation Expansion is expected in the third or fourth quarter of 2019.²⁵

The MA Phase II Facility is currently under construction. Construction of the MA Phase II Facility is expected to be completed in the third quarter of 2019²⁵, with a first harvest from the facility expected in the third or fourth quarter of 2019²⁵, subject to all necessary inspections and approvals by applicable State and local regulatory authorities²⁵. The MA Phase II Facility is expected to increase CSAC's Massachusetts cultivation footprint by 20,000 square feet²⁵ under canopy – a 200% increase. The design of this additional cultivation space gives CSAC management confidence that the MA Phase II facility will be at least 75% as efficient as its pre-expansion cultivation operations in Massachusetts. Efficiency is based on a variety of factors, such as additional operational complexity, a desire to constrain unit costs, plans to allocate part of the space to research and development of new growing techniques and new cannabis strains, and adoption of policies and procedures based on best practices from throughout the Anchor Portfolio²⁵. While not guaranteed, efficiencies greater than the anticipated rate may be achieved. The total cost for the expansion is expected to be \$4 to 5 million²⁵.

The MA Phase III Facility will add approximately 70,000 square feet²⁵ of additional canopy to CSAC's cultivation operations. The site for this facility has been identified and secured, and the early phases of construction have begun. The MA Phase III Facility has been planned for the specific purpose of expanding the Massachusetts cultivation footprint under canopy to 100,000 square feet – the maximum allowable amount under State law. Once fully operational, management believes the MA Phase III facility will be at least 67% as efficient as Sira's pre-expansion cultivation operations (prior to the MA Phase II Facility) based on a variety of factors, such as additional operational complexity, a desire to constrain unit costs, plans to allocate some space to research and development of new growing techniques and new cannabis strains, and normal course fluctuations in productivity and efficiency associated with a "green field" project²⁵. While not guaranteed, efficiencies greater than the anticipated rate may be achieved. The total cost for the MA Phase III Facility is expected to be \$18 to \$20 million²⁵, with such spending projected to begin in the first quarter of 2019²⁵. The MA Phase III Facility is expected to be fully operational and produce its first harvest in the first quarter of 2020, subject to all necessary inspections and approvals by applicable State and local regulatory authorities²⁵.

CSAC intends to reinvest cash generated from operations to generate organic growth, but also to fund further acquisitions. CSAC plans to grow its combined, post-closing operations by continuing to apply its established approach to the acquisition of individual cannabis-related operations with attractive economic profiles on a standalone basis and/or integrated with the existing CSAC businesses.

Through the process of creating the Anchor Portfolio, CSAC has established a proven process for identifying, diligencing and consummating transactions with attractive, high quality operators, as well as a pipeline of potential future targets.

CSAC intends to seek opportunities to broaden its existing footprint to nearby regions with potential for branding and other synergies, while maintaining a focus on vertical integration in limited license, high addressable consumer States where recreational cannabis use is currently approved or expected to be approved in the near future. Such acquisitions may be directly "plant-touching" or may be in related businesses whose inclusion within the CSAC portfolio would be accretive to future growth prospects.

It is anticipated that consideration for such acquisitions would comprise a combination of cash, stock and debt, similar to the consideration for the acquisition of the Anchor Portfolio. Although there can be no assurance that CSAC will be able to achieve its acquisition goals, CSAC is targeting the acquisition of an additional C\$75 – \$150

million of revenue generating an attendant C\$30 – 50 million of Adjusted EBITDA in 2019, with a similar volume of targeted acquisition activity in 2020²⁵.

Outlook²⁵

CSAC management’s outlook for the business is based on a number of factors, including the state of transition of the U.S. cannabis market from medical to recreational use, the experience of its management team and advisors, local market expertise and management teams of the Anchor.

Financial Outlook

CSAC bases its financial outlook for the pro forma Resulting Issuer on the strength of the local markets in which the Anchor Portfolio operates, as well as on CSAC’s positive views on the prospects for the U.S. cannabis space in general.

CSAC expects its future financial performance to build on the base established by its combination of the Target Businesses to create the Anchor Portfolio. The table below describes the pro forma financial performance of the Anchor Portfolio as a combined group for the nine month period ended September 30, 2018 that forms the basis for CSAC’s future outlook of the post-closing business.

The table below summarizes Target revenue and Adjusted EBITDA for each of the Target Businesses for the years ended December 31, 2018 and 2019, and for the businesses as combined. See the Resulting Issuer Pro Forma Financial Statements attached to this prospectus as Appendix T for a discussion on the basis of presentation. See “*Management’s Discussion and Analysis of The Target Businesses*” for a discussion of historical drivers of financial performance of each of the Target Businesses.

(C\$ million)	Target Revenue		Target Adjusted EBITDA	
	2018	2019	2018	2019
Washoe	10 - 15	30 - 40	5 - 6	15 - 20
LivFree	40 - 45	50 - 60	10 - 13	20 - 30
Canopy	15 - 20	20 - 25	5 - 6	6 - 10
Sira	15 - 20	100 - 120	4 - 5	60 - 70
CannaPunch	7 - 10	20 - 25	4 - 5	10 - 15
Pro Forma Standalone	95 - 105	240 - 260	30 - 35	130 - 140

Anchor Portfolio Growth: Going forward, CSAC has established targets for Anchor Portfolio pro forma revenue of C\$95–105 million for 2018 and C\$240–260 million for 2019. CSAC has also established targets for Anchor Portfolio pro forma Adjusted EBITDA of C\$30-35 million in 2018 and C\$130–140 million Adjusted EBITDA for 2019. Key drivers of such revenue and Adjusted EBITDA targets are the transition of the Massachusetts cannabis market to a recreational-use environment starting in 2019, the planned expansion of CSAC’s cultivation operations as described above and, broadly, the continuation of the constructive business environment for cannabis in the U.S. Specifically, CSAC anticipates that the transition to a recreational use cannabis market in Massachusetts will result in robust demand for cannabis products, and that cultivation and manufacturing capacity will likely fall short of this increased demand. As a result, CSAC believes 2019 wholesale and retail prices have the potential to increase relative to 2018.²⁵ However, while CSAC management believes that supply constraints may lead to higher pricing, increased pricing above that achieved in the 2018 Massachusetts medical use market is not included as an input in CSAC’s financial targets.

CSAC also believes that the Anchor Portfolio will benefit greatly from its planned investment in branding and marketing. The Anchor Portfolio will be able to build brands that will drive growth and higher profit margins, especially as some of the highest growth, highest margin segments of the cannabis market are cannabis-infused

products where the specific strains and cultivation processes are less impactful to the final product. Further, digital marketing technologies will help the Anchor Portfolio increase revenue growth and profitability by employing proven techniques from adjacent industries, such as the alcohol and consumer packaged goods industries. CSAC management believes these investments will provide CSAC with long-term, durable strategic advantage in the fragmented U.S. cannabis industry.

In developing the targets set forth above, CSAC has made the following assumptions and relied on the following factors and considerations:

- The targets are based on discussions with the management teams of the Target Businesses and their historical results, particularly in respect of 2018 year to date results.
- The targets are subject to the completion of in place cultivation and product facility expansion plans anticipated to come online in 2019 and 2020, including the relocation of one dispensary and assuming 2/3 capacity utilization of a new facility in 2020. See “*Narrative Description of the Business of CSAC – Investments Required.*”
- Revenue growth assumptions at established recreational dispensaries depend on a variety of factors, including among other things, location and degree of seasoning as a recreational dispensary, and vary between 15% and 27% growth year over year, reflecting the current state of rapid growth of the cannabis industry.
- Revenue growth assumptions for dispensaries transitioning from medical status to recreational status are based on anticipated production capacity available from a vertically-integrated supply chain. These assumptions include current production levels at cultivation and production facilities, plus production capacity in process of construction and planning, starting from target completion dates. Prices and wholesale/retail sales mix are projected forward at current medical status levels (i.e., not adjusted for price or mix shift as a result of transition from medical to recreational status).
- Cost of goods sold, before taking into account the impact of value changes in biological assets (which are non-cash in nature, and, accordingly, are excluded from calculations of Adjusted EBITDA), has been assumed to grow at a constant percentage of revenue between 2018 and 2019, with the exception of cost of goods sold for dispensaries whose inventory was previously purchased from third parties at lower margins than other similar dispensaries in the Anchor Portfolio.
- Selling, general and administrative expenses are assumed to increase in dollar terms year over year, but to decrease modestly as a percentage of revenues due to inherent scalability of selling, general and administrative expenses.
- A US federal income tax rate of 27% is anticipated.
- A currency exchange rate of US\$1 = C\$1.342 has been assumed.

CSAC has also assumed that business and economic conditions affecting the Target Businesses will continue substantially in the ordinary course, including, without limitation, with respect to general industry conditions, competition, regulations (including those in respect of the cannabis industry), weather, taxes, that there will be no pandemics or other material outbreaks of disease or safety issues or material recalls required, and that there will be no unplanned material changes in CSAC’s facilities, equipment, or customer and employee relations.

Acquisitions: Acquisitions and retail expansion are also key elements of CSAC management’s long-term financial performance. Receiving or acquiring additional licenses for retail locations is a key driver of revenue growth for the Anchor Portfolio. Acquiring established operators in additional attractive cannabis markets in the U.S. is another anticipated driver of revenue growth. CSAC will seek acquisitions that add EBITDA, as well as operational and product expertise that can be deployed in other markets to drive EBITDA growth across CSAC’s operations as a whole. While there can be no guarantee regarding the success of future acquisition activity, CSAC management is targeting additional company and license acquisitions in each of 2019 and 2020 to add C\$75-150 million in revenues and C\$30-50 million in Adjusted EBITDA each year.

These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While CSAC believes there is a reasonable basis for these targets, such targets may not be met.

These targets represent forward-looking information. Actual results may vary and differ materially from the targets. See “*Caution Regarding Forward-Looking Statements*”.

Definition and Reconciliation of Non-IFRS Measures

The Target Businesses report certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structure. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure.

Adjusted EBITDA

“**Adjusted EBITDA**” represents income (loss) from operations, as reported, before interest, tax, and adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock based compensation expense, depreciation, and the non-cash effects of accounting for biological assets and inventories, and further adjusted to remove acquisition related costs.

The following is a reconciliation of how CSAC calculates Adjusted EBITDA and reconciles it to IFRS figures, based on figures derived from the financial statements of the Target Businesses attached hereto as Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P and Appendix Q, respectively.

Adjusted EBITDA Reconciliation

Period	9 mo ended 9/30/2018 As Reported	9 mo ended 9/30/2018 As Reported	9 mo ended 9/30/2018 As Reported	9 mo ended 9/30/2018 As Reported	9 mo ended 9/30/2018 As Reported		9 mo ended 9/30/2018 Pro forma	9 mo ended 9/30/2018 As Reported	9 mo ended 9/30/2018 Pro forma
	Washoe	Canopy	LivFree	Sira	CannaPunch	Adjustments	Total Anchor Portfolio	CSAC	Combined
Net income (loss) from operations	2,429,899	2,432,452	5,728,752	(499,426)	1,178,698	–	11,270,375	(30,596,538)	(19,326,163)
<u>Non-cash items accounting for biological assets and inventories</u>									
Fair value changes	726,225	–	–	11,279,968	–	–	12,006,193	–	12,006,193
Unrealized gain on changes in fair value	(1,491,432)	–	–	(8,964,482)	–	–	(10,455,914)	–	(10,455,914)
	(765,207)	–	–	2,315,486	–	–	1,550,279	–	1,550,279
Interest	–	–	–	–	–	–	–	(703,507)	(703,507)
Depreciation and amortization	252,557	27,548	140,646	746,329	3,631	–	1,170,711	–	1,170,711
Share-based compensation expense	–	–	–	–	–	–	–	–	–
Acquisition costs	–	–	–	–	–	–	–	–	–
Other ²⁶	160,000	366,848	–	211,815	740,847	–	1,479,510	30,396,840	31,876,350
	412,557	394,396	140,646	958,144	744,478	–	2,650,221	29,693,333	32,343,554
Adjusted EBITDA	2,077,249	2,826,848	5,869,398	2,774,204	1,923,176	–	15,470,875	(903,204)	14,567,671

²⁶ Other adjustments made to exclude the impact of management fees, profit sharing arrangements, transaction fees, and the net unrealized loss on changes in the fair value of financial liabilities.

This prospectus makes reference to certain non-IFRS measures and cannabis industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the Target Businesses' results of operations from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Target Businesses' financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Target Businesses include "Adjusted EBITDA".

CSAC believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Target Businesses' performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to provide investors with supplemental measures of the Target Businesses' operating performances and thus highlight trends in the Target Businesses' core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Pro Forma Consolidated Capitalization

Completion of the Transaction requires, among other things, approval of the CSAC Shareholders. In addition, as the Transaction constitutes CSAC's qualifying transaction, holders of CSAC Class A Restricted Voting Shares can elect to redeem all or a portion of their CSAC Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the qualifying transaction, provided that they deposit (and do not validly withdraw) their shares for redemption prior to the Redemption Deadline. A description of the redemption rights will be included in the management information circular to be mailed to CSAC Shareholders in connection with the CSAC Meeting. A redeeming CSAC Shareholder is entitled (conditional on closing) to receive an amount per Class A Restricted Voting Share, payable in cash, equal to the pro-rata portion (per CSAC Class A Restricted Voting Share) of: (A) the escrowed funds available in the CSAC's escrow account at the time of the CSAC Meeting, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by CSAC on such interest and other amounts earned in the escrow account, and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by CSAC. For greater certainty, such amount will not be reduced by the amount of any tax of CSAC under Part VI.1 of the Tax Act or the deferred underwriting commissions per CSAC Class A Restricted Voting Share held in escrow. This redemption amount is anticipated to be C\$10.03 per CSAC Class A Restricted Voting Share, assuming a February 28, 2019 redemption date.

The following table sets forth the consolidated capitalization of the Target Businesses as of September 30, 2018 adjusted to give effect to the Transaction assuming different levels of redemptions. Since September 30, 2018, other than in the normal course of business, there has been no material change in the equity and debt capital of the Target Businesses, on a consolidated basis.

This table should be read in conjunction with the CSAC Audited Annual Financial Statements, the Target Businesses' Audited Financial Statements, the Target Businesses' Interim Financial Statements and the Resulting Issuer Pro Forma Financial Statements attached to this prospectus as Appendix A, Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P, Appendix Q and Appendix T, respectively.

	As of September 30, 2018, as adjusted \$ (in 000's for stated values)	As of September 30, 2018, as adjusted \$ (in 000's for stated values) after giving effect to the Transaction, and assuming no redemptions of CSAC Class A Restricted Voting Shares
Cash and cash equivalent	39.9	39.9
Debt	60.7	60.7
Shareholders' equity ⁽¹⁾	422.6	375.3
Total Capitalization	443.4	3996.2

Debt, net of cash	20.8	20.8
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Notes:

- (1) Excludes the Resulting Issuer Shares issuable upon (i) exercise of the CSAC Warrants, which are exercisable commencing 65 days after the completion of the Transaction, and (ii) the conversion of the CSAC Rights, which are convertible upon the completion of the Transaction. See “*Corporate Structure – Warrant Agreement*” and “*Corporate Structure – Rights Agreement*”.
- (2) Assumes the closing price of C\$17.05 for the CSAC Class A Restricted Voting Shares on November 30, 2018.

Summary Pro Forma Consolidated Financial Information

The following unaudited pro forma consolidated statement of financial position of CSAC as at September 30, 2018 has been prepared by CSAC to give effect to the Transaction as if it had occurred on September 30, 2018. The following unaudited pro forma consolidated statement of operations of CSAC for the year ended September 30, 2018 has been prepared by CSAC to give effect to the Transaction as it had occurred on October 1, 2017.

This summary pro forma financial information should be read in conjunction with the CSAC Audited Annual Financial Statements, the Target Businesses’ Audited Financial Statements, the Target Businesses’ Interim Financial Statements and the Resulting Issuer Pro Forma Financial Statements attached to this prospectus as Appendix A, Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P, Appendix Q and Appendix T, respectively.

The pro forma financial information has been prepared for illustrative purposes only and may not be indicative of the operating results or financial condition that would have been achieved if the Transaction had been completed on the date or for the periods noted above, nor does it purport to project the results of operations or financial position for any future period or as of any future date. In addition to the pro forma adjustments that comprise this pro forma financial information, various other factors will have an effect on the financial condition and results of operations of CSAC following the completion of the Transaction, including an adjustment as it relates to the closing of the Transaction which assumes no redemption of CSAC Class A Restricted Voting Shares (the actual redemption level is uncertain, but see Note 8(g) of the Resulting Issuer Pro Forma Financials for the illustrative effect of 0% and 50% redemption levels). See “*Notes to Pro Forma Condensed Consolidated Combined Financial Information*” included in Appendix T for a discussion of pro forma adjustments. See also “*Caution Regarding Forward-Looking Statements*”.

Cannabis Strategies Acquisition Corp.
Unaudited Pro Forma Consolidated Statement of Financial Position
As at September 30, 2018

US\$	CSAC September 30, 2018 \$	Sira September 30, 2018 \$	Canopy September 30, 2018 \$	Washoe September 30, 2018 \$	LivFree September 30, 2018 \$	CannaPunch September 30, 2018 \$	Subtotal \$	Notes	Acquisition \$	Notes	Pro-Forma Adjustments \$	Total September 30, 2018 \$
ASSETS												
Current												
Cash	543,251	1,924,581	168,370	487,749	1,591,393	235,903	4,951,247	Sa,e,f	29,895,553	Sh	(3,643,303)	31,203,497
Accounts receivable, trade, no allowance	-	-	-	135,011	-	192,155	327,166	-	-	6a	(55,584)	271,582
Deposit	231,750	-	-	-	-	-	231,750	-	-	-	-	231,750
Inventory	-	6,817,695	1,721,467	2,082,286	1,798,799	372,754	12,793,001	Si	17,848,647	-	-	30,641,648
Biological assets	-	3,415,120	-	1,689,684	-	-	5,104,804	Si	39,147	-	-	5,143,951
Prepaid expenses and other assets	3,380	135,593	125,012	376,260	259,147	1,210	900,602	Si	(14,224)	6a	(57,974)	828,404
Advance to a related corporation	-	-	-	-	250,000	-	250,000	Si	(250,000)	-	-	-
	778,380	12,292,989	2,014,849	4,770,990	3,899,339	802,022	24,558,569		47,519,123		(3,756,861)	68,320,831
Restricted cash and short-term investments held in escrow												
	104,815,553	-	-	-	-	-	104,815,553	Se	(104,815,553)		-	-
Intangible assets	-	-	1,623,114	77,894	-	-	1,701,008	Sb	57,819,886		-	59,520,894
Property, plant and equipment	-	7,745,930	1,178,712	8,135,638	1,630,195	23,550	18,714,025	Si	1,279,357		-	19,993,382
Goodwill	-	-	-	-	-	-	-	Sb	143,276,864		-	143,276,864
Investment in associate	-	-	-	1,634,809	3,899,934	-	5,534,743	Si	(1,040,233)		-	4,494,510
Deferred tax assets	-	458,111	-	-	-	-	458,111		-		-	458,111
Other long term assets	-	480,401	-	-	-	-	480,401		-		-	480,401
Total assets	105,593,933	20,977,431	4,816,675	14,619,331	9,429,468	825,572	156,262,410		144,039,444		(3,756,861)	296,544,993
LIABILITIES												
Current												
Trade payables	554,877	1,094,432	356,095	1,124,836	316,652	54,304	3,501,196			6a	(55,584)	3,445,612
Accrued liabilities	-	1,132,615	252,795	133,642	611,396	96,972	2,227,420				-	2,227,420
Advance from a related corporation	597,742	-	57,974	-	-	-	655,716			6a	(57,974)	597,742
Income tax payable	-	2,124,970	-	-	-	-	2,124,970				-	2,124,970
Distributions payables	-	-	-	-	-	-	-				-	-
Debts/notes payable - current portion	-	6,832	-	28,394	240,000	-	275,226				-	275,226
Advance from a member	-	-	-	-	-	1,402	1,402				-	1,402
	1,152,619	4,358,849	666,864	1,286,872	1,168,048	152,678	8,785,930		-		(113,558)	8,672,372
Deferred underwriters' commission	3,643,303	-	-	-	-	-	3,643,303			Sh	(3,643,303)	-
Class A restricted voting shares subject to redemption	122,831,363	-	-	-	-	-	122,831,363			Sg	(122,831,363)	-
Warrant liability	12,637,372	-	-	-	-	-	12,637,372				-	12,637,372
Accrued interest payable	-	6,577,265	-	-	-	-	6,577,265				-	6,577,265
Debts payable - Non-current portion	-	14,967,581	-	9,209,764	40,000	-	24,217,345	Sa	37,140,000		-	61,357,345
Total liabilities	140,264,657	25,903,695	666,864	10,496,636	1,208,048	152,678	178,692,578		37,140,000		(126,588,224)	89,244,355
Members' equity	-	(4,926,264)	4,149,811	4,122,695	8,221,420	672,894	12,240,556	Sd	(12,240,556)		-	-
Share capital	1,767,186	-	-	-	-	-	1,767,186	Sa	125,140,000	Sg	122,831,363	249,738,549
Accumulated deficit	(36,437,910)	-	-	-	-	-	(36,437,910)	Sf	(6,000,000)		-	(42,437,910)
Contributed surplus	-	-	-	-	-	-	-				-	-
	(34,670,724)	(4,926,264)	4,149,811	4,122,695	8,221,420	672,894	(22,430,168)		106,899,444		122,831,363	207,300,639
Total liabilities and members' equity	105,593,933	20,977,431	4,816,675	14,619,331	9,429,468	825,572	156,262,410		144,039,444		(3,756,861)	296,544,993

Cannabis Strategies Acquisition Corp.
Unaudited Pro Forma Consolidated Statements of Operations
For the Year Ended September 30, 2018

US\$	CSAC September 30, 2018 \$	Sira September 30, 2018 \$	Canopy September 30, 2018 \$	Washoe September 30, 2018 \$	LivFree September 30, 2018 \$	CannaPunch September 30, 2018 \$	Subtotal \$	Notes	Pro-Forma Adjustments \$	Consolidated September 30, 2018 \$
Revenues, net of discounts	-	15,004,527	11,280,896	6,714,613	30,166,236	6,096,442	69,262,714	6b	(4,250,298)	65,012,416
Cost of goods sold before biological asset adjustment	-	6,471,072	5,385,963	2,303,543	18,954,288	2,760,447	35,875,313	6b	(4,250,298)	31,625,015
	-	8,533,455	5,894,933	4,411,070	11,211,948	3,335,995	33,387,401		-	33,387,401
Fair value changes in biological assets included in cost of sales	-	(15,580,713)	-	(991,590)	-	-	(16,572,303)			(16,572,303)
Unrealized gain on biological asset transformation	-	11,137,058	-	1,491,432	-	-	12,628,490			12,628,490
Gross profit (loss)	-	4,089,800	5,894,933	4,910,912	11,211,948	3,335,995	29,443,588		-	37,331,214
Expenses										
Transaction costs	7,115,646	-	-	-	-	-	7,115,646	6c	6,000,000	13,115,646
General and administrative	916,469	4,930,887	1,710,598	807,216	3,547,112	828,448	12,740,730			12,740,730
Sales and marketing	-	420,523	292,417	192,757	426,889	88,051	1,420,637			1,420,637
Depreciation	-	125,807	32,769	494,991	179,442	-	833,009			833,009
Licensors profit share	-	-	-	-	-	898,878	898,878			898,878
Management fee	-	211,815	426,848	160,000	-	-	798,663	6b	(185,000)	613,663
Net unrealized loss on changes in the fair value of financial liabilities	29,454,070	-	-	-	-	-	29,454,070			29,454,070
Total expenses	37,486,185	5,689,032	2,462,632	1,654,964	4,153,443	1,815,377	53,261,633		5,815,000	59,076,633
Net income (loss) from operations	(37,486,185)	(1,599,232)	3,432,301	3,255,948	7,058,505	1,520,618	(23,818,045)		(5,815,000)	(21,745,419)
Other (income) expense										
Share of (income) loss on equity investments	-	-	-	(1,865,621)	(1,441,246)	-	(3,306,867)			(3,306,867)
Interest expense	-	2,715,005	-	473,337	-	-	3,188,342			3,188,342
Interest income	727,526	-	-	(23,067)	-	-	704,459			704,459
Management fee income	-	-	-	(185,000)	-	-	(185,000)	6b	185,000	-
Rental income and others	-	(79,319)	-	(90,240)	4,043	-	(165,516)			(165,516)
Total other (income) expense	727,526	2,635,686	-	(1,690,591)	(1,437,203)	-	235,418		185,000	420,418
Income tax (recovery) expense	-	2,254,708	-	-	-	-	2,254,708			2,254,708
Net income (loss) and comprehensive income (loss)	(38,213,711)	(6,489,626)	3,432,301	4,946,539	8,495,708	1,520,618	(26,308,171)		(6,000,000)	(24,420,545)
Loss per share - basic and diluted								9		(0.99)
Weighted average number of shares outstanding								9		24,786,191

LivFree Data Loss

LivFree commenced customer sales in the month of June 2016. During 2016, LivFree's reconciliation and point-of-sale product tracking solution for compliance purposes was MJ Freeway, a cloud-based seed-to-sale cannabis compliance software program for marijuana businesses. At that time, MJ Freeway was being used widely in the United States cannabis industry for reconciliation, point-of-sale product tracking and other compliance purposes.

MJ Freeway has advised LivFree that on January 7, 2017, it sustained a "direct attack on its software infrastructure", which disrupted MJ Freeway's central site as well as its back up sites. MJ Freeway has further advised LivFree that no data was decrypted or extracted (including patient and business data) and that it had engaged in months of attempted recovery procedures. LivFree attempted on numerous occasions to retrieve its data from MJ Freeway. However, LivFree's inventory, patient and historical data for the period from June 2, 2016 to Dec. 31, 2016 was lost beyond repair.

LivFree has also undergone a revenue reconstruction attempt. However, LivFree was heavily reliant on MJ Freeway in 2016, which precludes the possibility of an acceptable revenue reconstruction upon which an audit of LivFree's 2016 historical financial data could be based.

CSAC and LivFree management believe that the 2016 year, as a start-up period in a new high growth industry during which sales were very modest, is not material to understanding LivFree's business. CSAC believes that the 2017 and 2018 (to date) periods are much more relevant, as are anticipated 2019 and later results (especially with respect to U.S. cannabis businesses, where state-level legalization commenced earlier than federal-level legalization in Canada). Accordingly, to assist investors and provide additional assurance, CSAC and LivFree have provided audited results for LivFree for both the 2017 year and, in addition, for the nine month period ended Sept. 30, 2018. See "*Securities Law Exemptions*".

DIVIDEND POLICY

The declaration of dividends on Resulting Issuer Shares will be at the sole discretion of the Resulting Issuer Board. No dividend policy has yet been adopted by the Resulting Issuer Board. CSAC does not intend to pay dividends on the Resulting Issuer Shares in the immediate future following the Transaction as it intends to retain earnings to finance the growth and development of its businesses and to otherwise reinvest in its businesses. Therefore, CSAC does not anticipate paying cash dividends on the Resulting Issuer Shares in the near future. In addition, the Exchange Rights Agreements will restrict CSAC from declaring or paying dividends on the Resulting Issuer Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. See "*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Voting and Dividend Rights*".

CSAC's dividend policy will be reviewed from time to time by the Resulting Issuer Board in the context of CSAC's earnings, financial condition and other relevant factors. The payment of dividends in the future will depend on the earnings, cash flow and financial condition of CSAC as well as the need to finance CSAC's business activities and any restrictions that may be contained in any credit or financing agreements and such other factors as the Resulting Issuer Board considers appropriate. Until the time that CSAC does pay dividends, which it may never do, Resulting Issuer Shareholders will not be able to receive a return on their Resulting Issuer Shares unless they sell them. See "*Risk Factors – CSAC may not pay dividends*".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE TARGET BUSINESSES

Please see attached the MD&A of CSAC attached hereto as Appendix B.

Please see attached the MD&A of each of the Target Businesses attached to this prospectus as Appendix F, Appendix I, Appendix L, Appendix O and Appendix R, respectively.

The MD&A of CSAC and of each of the Target Businesses contain important information about each respective entity's business and its performance for the relevant periods. The discussion and analysis of CSAC and the Target Business' respective financial conditions and results of operations covers periods prior to the completion of the Transaction. The MD&A of CSAC and of each of the Target Businesses should be read in conjunction with the

CSAC Audited Annual Financial Statements, the Target Businesses' Audited Financial Statements, and the Target Businesses' Interim Financial Statements attached to this prospectus as Appendix A, Appendix C, Appendix D, Appendix E, Appendix G, Appendix H, Appendix J, Appendix K, Appendix M, Appendix N, Appendix P and Appendix Q respectively.

All dollar amounts are in U.S. dollars, unless otherwise stated. Amounts for subtotal, totals and percentage variances included in tables in each respective MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding. The MD&A of CSAC and each of the Target Businesses is current as of December 10, 2018. The MD&A of CSAC was approved by CSAC's board of directors. These discussions contain forward-looking statements based upon current expectations that involve numerous risks and uncertainties, including those described under the headings "*Caution Regarding Forward-Looking Statements*", "*Risk Factors*" and elsewhere in this prospectus. The actual results of CSAC may differ materially from those contained in any forward-looking statements.

Cautionary Statement Regarding Forward-Looking Information

The MD&A of CSAC and of each of the Target Businesses includes "forward-looking information" and "forward looking statements" within the meaning of applicable securities laws, and assumptions about, among other things, the business, operations, and financial performance and condition of CSAC and of each of the Target Businesses approved by each entity's respective management on the date of each respective MD&A.

This forward-looking information and these assumptions include, but are not limited to, statements about each respective entity's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Information included in each respective entity's MD&A that is not a statement of historical fact is forward-looking information. When used in such MD&A, words such as "believes", "may", "estimate", "should", "plans", "assumes", "continue", "outlook", "could", "anticipates", "intends", "expects", and words of similar import, are intended to identify statements containing forward-looking statements. These statements appear in a number of places throughout each respective document. Such forward-looking statements are based on each respective entity's estimates, assumptions, strategies and projections and subject to known and unknown risks, uncertainties and other factors all of which are difficult to predict and many of which are beyond its control and which may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements.

In light of these risks, uncertainties and assumptions, readers should not place undue reliance on any forward-looking statements, which speak only as of the date hereof, as actual results could differ materially. Please note that a cautionary discussion of risks and uncertainties is provided under the heading "*Risk Factors*", as well as the heading "*Caution Regarding Forward-Looking Statements*". These risk factors, as they relate to CSAC and/or each of the Target Businesses, could cause CSAC's actual results to differ materially from expected results. Readers are cautioned that other factors discussed in each MD&A, although not enumerated here, also could materially affect CSAC's future results. CSAC disclaims any obligation to update any such factors or publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Market and Other Industry Data

The MD&A of CSAC and of each of the Target Businesses include industry and trade association data, projections and information that CSAC and/or each Target Business, as applicable, has prepared based, in part, upon data, projections and information obtained from available independent trade associations, industry publications and surveys and other information. Some data is also based on CSAC's good faith estimates, which are derived from management's knowledge of the industry and independent sources. Industry publications, surveys and projections generally state that the information contained therein has been obtained from sources believed to be reliable. None of CSAC or any of the Target Businesses have independently verified any of the data from third-party sources nor have they ascertained the underlying economic assumptions relied upon therein. Statements as to each entity's market position are based on market data currently available to such entity. Each of CSAC and the Target Businesses' estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking*

Statements” in this prospectus. Projections and other forward-looking information obtained from independent sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this prospectus.

DESCRIPTION OF SECURITIES

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Resulting Issuer Shares after giving effect to the Transaction. Following completion of the Transaction, CSAC will be authorized to issue an unlimited number of Resulting Issuer Shares.

The number of Resulting Issuer Shares expected to be issued and outstanding upon completion of the Transaction will be approximately 17,171,485 (assuming no CSAC Shareholders elect to redeem all or a portion of their CSAC Class A Restricted Voting Shares). Assuming redemption levels of CSAC Class A Restricted Voting Shares of 50%, it is expected that there will be approximately 10,433,985 Resulting Issuer Shares, respectively, outstanding upon completion of the Transaction. See “*Selected Consolidated Financial Information – Pro Forma Consolidated Capitalization*”.

Resulting Issuer Shares

The following rights, restrictions and conditions will attach to the Resulting Issuer Shares.

Notice of Meeting and Voting Rights

The holders of Resulting Issuer Shares are entitled to receive notice of and to attend all meetings of the shareholders of CSAC and are entitled to one vote per Resulting Issuer Share.

Dividend and Liquidation Entitlements

The holders of Resulting Issuer Shares shall be entitled, as such, to receive dividends and CSAC shall pay dividends thereon, as and when declared by the Resulting Issuer Board, in their absolute discretion, in such amount and in such form as the Resulting Issuer Board may from time to time determine, and all dividends which CSAC may declare on the Resulting Issuer Shares shall be declared and paid in equal amounts per share on all Resulting Issuer Shares at the time outstanding.

In the event of the dissolution, liquidation or winding-up of CSAC, whether voluntary or involuntary, or any other distribution of assets of CSAC among its shareholders for the purpose of winding up its affairs, the holders of the Resulting Issuer Shares shall be entitled to receive the remaining property and assets of CSAC after satisfaction of all liabilities and obligations to creditors of CSAC.

Compliance Provisions

In connection with the Transaction, CSAC is proposing an amendment to its notice of articles and articles to, among other things, facilitate compliance with applicable regulatory and/or licensing regulations. In particular, CSAC is proposing to add certain provisions (the “**Compliance Provisions**”), including a combination of certain remedies such as an automatic suspension of voting and/or dividend rights, a discretionary right to force a share transfer to a third party and/or a discretionary redemption right in favour of CSAC, in each case to seek to ensure that CSAC and its subsidiaries are able to comply with applicable regulatory and licensing regulations. The purpose of the Compliance Provisions is to provide CSAC with a means of protecting itself from having a shareholder, or as determined by the Resulting Issuer Board, a group of shareholders acting jointly or in concert, with an ownership interest of, whether of record or beneficially (or having the power to exercise control or direction over) (“**Owning or Controlling**”), five percent (5%) or more of the issued and outstanding shares of CSAC, or such other number as is determined by the Resulting Issuer Board from time to time, and: (i) who a governmental authority granting licenses to, or otherwise governing the operations of, CSAC or its subsidiaries has determined to be unsuitable to own Resulting Issuer Shares; (ii) whose ownership of Resulting Issuer Shares may reasonably result in the loss, suspension or revocation (or similar action) with respect to any licenses or permits relating to CSAC’s or its subsidiaries’ conduct of business (being the conduct of any activities relating to the cultivation, manufacturing and dispensing of cannabis and cannabis-derived products in the United States, which include the owning and operating

of cannabis licenses) or in CSAC being unable to obtain any new licenses or permits in the normal course, all as determined by the Resulting Issuer Board; or (iii) who have not been determined by the applicable regulatory authority to be an acceptable person or otherwise have not received the requisite consent of such regulatory authority to own the Resulting Issuer Shares, in each case within a reasonable time period acceptable to the Resulting Issuer Board or prior to acquiring any Resulting Issuer Shares, as applicable (in each case, an “**Unsuitable Person**”). The ownership restrictions in CSAC’s notice of articles and articles are also subject to an exemption for applicable depositaries and clearing houses as well as underwriters (as defined in the *Securities Act* (British Columbia)) in the course of a distribution of securities of CSAC.

Notwithstanding the foregoing, the Compliance Provisions will provide that any shareholder (or group of shareholders acting jointly or in concert) proposing to Own or Control five percent (5%) or more of the issued and outstanding shares of CSAC (or such other number as is determined by the Resulting Issuer Board from time to time) will be required to provide not less than 30 days’ advance written notice to CSAC by mail sent to CSAC’s registered office to the attention of the Corporate Secretary and to obtain all necessary regulatory approvals. Upon any such shareholder(s) Owning or Controlling five percent (5%) or more of the issued and outstanding shares of CSAC (or such other number as is determined by the Resulting Issuer Board from time to time), and having not received the requisite approval of any applicable regulatory authority to own the Resulting Issuer Shares, the Compliance Provisions will provide: (i) that such shareholder(s) may, in the discretion of the Resulting Issuer Board, be prohibited from exercising any voting rights and/or receiving any dividends from CSAC, unless and until all requisite regulatory approvals are obtained; and (ii) CSAC with a right, but not the obligation, at its option, upon notice to the Unsuitable Person, to: (A) redeem any or all Resulting Issuer Shares directly or indirectly held by an Unsuitable Person; and/or (B) forcibly transfer any or all Resulting Issuer Shares directly or indirectly held directly or indirectly by an Unsuitable Person to a third party. Such rights are required in order for CSAC to comply with regulations in various jurisdictions where CSAC or its subsidiaries conduct business or are expected to conduct business.

Upon receipt by the holder of a notice to redeem or to transfer any or all of its Resulting Issuer Shares, the holder will be entitled to receive, as consideration therefor, no less than 95% of the lesser of: (i) the closing price of the Resulting Issuer Shares on the NEO Exchange (or the then principal exchange on which CSAC’s securities are quoted for trading) on the trading day immediately prior to the closing of the redemption or transfer (or the average of the last bid and last asking prices if there was no trading on the specified date); and (ii) the five-day volume weighted average price of the Resulting Issuer Shares on the NEO Exchange (or the then principal exchange on which CSAC’s securities are quoted for trading) for the five trading days immediately prior to the closing of the redemption or transfer (or the average of the last bid and last asking prices if there was no trading on the specified dates).

Further, a holder of the Resulting Issuer Shares will be prohibited from acquiring five percent (5%) or more of the issued and outstanding shares of CSAC, directly or indirectly, in one or more transactions, without providing 30 days’ advance written notice to CSAC by mail sent to CSAC’s registered office to the attention of the Corporate Secretary. The foregoing restriction will not apply to the ownership, acquisition or disposition of Resulting Issuer Shares as a result of: (i) transfer of Resulting Issuer Shares occurring by operation of law including, inter alia, the transfer of Resulting Issuer Shares to a trustee in bankruptcy, (ii) an acquisition or proposed acquisition by one or more underwriters who hold Resulting Issuer Shares for the purposes of distribution to the public or for the benefit of a third party provided that such third party is in compliance with the foregoing restriction, or (iii) conversion, exchange or exercise of securities issued by CSAC or a subsidiary into or for Resulting Issuer Shares in accordance with their respective terms. If the Resulting Issuer Board reasonably believes that any such holder of the Resulting Issuer Shares may have failed to comply with the foregoing restrictions, CSAC may apply to the Supreme Court of British Columbia, or any other court of competent jurisdiction, for an order directing that such shareholder disclose the number of Resulting Issuer Shares directly or indirectly held.

Notwithstanding the adoption of the proposed Compliance Provisions, CSAC may not be able to exercise such rights in full or at all, including its redemption rights. Under the BCBCA, a corporation may not make any payment to redeem shares if there are reasonable grounds for believing that the company is unable to pay its liabilities as they become due in the ordinary course of its business or if making the payment of the redemption price or providing the consideration would cause the company to be unable to pay its liabilities as they become due in the ordinary course of its business. Furthermore, CSAC may become subject to contractual restrictions on its ability to redeem its

Resulting Issuer Shares by, for example, entering into a secured credit facility subject to such restrictions. In the event that restrictions prohibit CSAC from exercising its redemption rights in part or in full, CSAC will not be able to exercise its redemption rights absent a waiver of such restrictions, which CSAC may not be able to obtain on acceptable terms or at all.

Advance Notice Requirements for Director Nominations

CSAC's articles will contain an advance notice provision pertaining to the Resulting Issuer Shareholders (who meet the necessary qualifications outlined in the articles) seeking to nominate candidates for election as directors (a "**Nominating Shareholder**") at any annual meeting of the Resulting Issuer Shareholders, or for any special meeting of Resulting Issuer Shareholders if one of the purposes for which the special meeting was called was the election of directors (the "**Advance Notice Provisions**"). The following description is a summary only and is qualified in its entirety by the full text of the applicable provisions of CSAC articles which will be made available on CSAC's SEDAR profile at www.sedar.com.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of CSAC. To be timely, a Nominating Shareholder's notice to the Corporate Secretary must be made: (i) in the case of an annual meeting of shareholders (including an annual and special meeting), not less than 30 days' prior to the date of the annual meeting of Resulting Issuer Shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes as well), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of shareholders was made. CSAC's articles also prescribe the proper written form for a Nominating Shareholder's notice.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the notice procedures set forth in the articles and, if any proposed nomination is not in compliance with such provisions, the discretion to declare that such defective nomination will be disregarded.

Notwithstanding the foregoing, the directors of the Resulting Issuer Board may, in their sole discretion, waive any requirement in the Advance Notice Provisions.

Multiple Voting Share Proposal

Increasingly, Canadian public companies with U.S. cannabis businesses that are going public in Canada are using multiple voting share structures. CSAC would like to ensure that Mercer, CSAC's sponsor, is able to continue to build CSAC's business during the current and expected future volatile period in the industry. Accordingly, CSAC, the CSAC Founders and the sellers pursuant to the Definitive Agreements are in discussions regarding proposed amendments to the proposed transactions that would lead Mercer and the other CSAC Founders to have the right, immediately prior to the closing of the Transaction, to have a one-time right to convert their existing CSAC Class B Shares on a one-for-one basis into new Multiple Voting Shares which would carry the following features:

- 25 votes per Multiple Voting Share;
- a class veto over any changes that would prejudice any right attached to the Multiple Voting Shares;
- equal dividends to the Subordinate Voting Shares of CSAC (into which each existing CSAC Class B Share and CSAC Class A Restricted Voting Share would be automatically convertible at Closing), on a per share basis (provided that stock dividends would be payable in Multiple Voting Shares on the Multiple Voting Shares and in Subordinate Voting Shares on the Subordinate Voting Shares);
- equal rights on liquidation to the Subordinate Voting Shares on a per share basis;
- the right at any time to convert into Subordinate Voting Shares on a one for one basis;
- equivalent treatment with the Subordinate Voting Shares on stock splits and stock consolidations;
- automatic conversion of the Multiple Voting Shares into Subordinate Voting Shares on a one-for-one basis on the date that is five years from the date of Closing of the Transaction; and

- the Multiple Voting Shares would not be listed on the NEO Exchange.

Mercer would plan to so convert its CSAC Class B Shares, as may the other CSAC Founders in their discretion, and that right would then expire and so would no longer be available to subsequent holders of CSAC Class B Shares, which would have their terms amended and be re-named as Subordinate Voting Shares, which would have the following features after the expiry of the one-time conversion right:

- one vote per Subordinate Voting Share;
- a class veto over any changes that would prejudice any right attached to the Subordinate Voting Shares;
- equal dividends to the Multiple Voting Shares on a per share basis (provided that stock dividends would be payable in Multiple Voting Shares on the Multiple Voting Shares and in Subordinate Voting Shares on the Subordinate Voting Shares);
- equal rights on liquidation to the Multiple Voting Shares on a per share basis;
- equivalent treatment with the Subordinate Voting Shares on stock splits and stock consolidations; and
- “coat-tail” rights, as described below.

Upon the closing of the Transaction, any non-redeemed CSAC Class A Restricted Voting shares would be converted into Subordinate Voting Shares.

This proposal, if implemented, would likely require additional CSAC Shareholder votes, including majority of minority approval by a majority of votes cast by the holders of CSAC Class A Restricted Voting Shares, excluding any votes attached to CSAC Class A Restricted Voting Shares held directly or indirectly by persons who also hold CSAC Class B Shares. In addition, customary coat-tail arrangements would be entered into, as described below.

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares would be entitled to participate on an equal footing with holders of Multiple Voting Shares. The owners of all the outstanding Multiple Voting Shares would enter into a customary coattail agreement with CSAC and a trustee (the “**Coattail Agreement**”). The Coattail Agreement would contain provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares. The undertakings in the Coattail Agreement would not apply to prevent a sale by any holder of Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- (a) offers a price per Subordinate Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares (on an as-converted basis to Subordinate Voting Shares);
- (b) provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror);
- (c) as no condition attached other than the right not to take up and pay for Subordinate Voting Shares or Multiple Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and
- (d) is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the Coattail Agreement would not prevent the transfer of Multiple Voting Shares by a holder to certain permitted holders, including the CSAC Founders and persons controlled by them. The conversion of Multiple Voting Shares into Subordinate Voting Shares would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Multiple Voting shares (including a transfer to a pledgee as security) by a holder of Multiple Voting Shares party to the agreement would be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement. The Coattail Agreement would contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action would be conditional on CSAC or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares would have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares, and reasonable funds and indemnity have been provided to the trustee. CSAC would agree to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares, as the case may be, pursuant to the Coattail Agreement.

The Coattail Agreement would provide that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained:

- (e) the consent of any applicable securities regulatory authority in Canada; and
- (f) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares, excluding votes attached to Subordinate Voting Shares, if any, held by the holders of Multiple Voting Shares, their affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement would limit the rights of any holders of Subordinate Voting Shares under applicable law.

There can be no assurance that this proposal will be agreed to. If it is, it is expected that it would be described in (i) CSAC's final prospectus, (ii) the management information circular in respect of the CSAC Meeting, and (iii) a news release.

EQUITY INCENTIVE PLAN DESCRIPTION

Summary of Equity Incentive Plan

CSAC will implement the Equity Incentive Plan, the principal terms of which are described below.

Purpose

The purpose of the Equity Incentive Plan will be to enable CSAC and its affiliated companies to: (i) attract and retain employees, officers, consultants, advisors and non-employee directors capable of assuring the future success of CSAC, (ii) offer such persons incentives to put forth maximum efforts, and (iii) compensate such persons through various stock-based arrangements and provide them with opportunities for stock ownership, thereby aligning the interests of such persons and the Resulting Issuer Shareholders.

The Equity Incentive Plan permits the grant of (i) nonqualified stock options (“**NQSOs**”) and incentive stock options (“**ISOs**”) (collectively, “**Options**”), (ii) restricted stock units (“**RSUs**”), and (iii) performance compensation awards, which are referred to herein collectively as “**Awards**”, all as more fully described below.

The Resulting Issuer Board shall have the power to manage the Equity Incentive Plan and may delegate such power at its discretion to any committee of the Resulting Issuer Board, including the C&GC Committee.

Eligibility

Any of CSAC's employees, officers, non-employee directors, consultants, independent contractors or advisors providing services to CSAC or any Affiliate, or any such person to whom an offer of employment or engagement with CSAC or any Affiliate is extended, are eligible to participate in the Equity Incentive Plan if selected by the Resulting Issuer Board (the “**Participants**”). The basis of participation of an individual under the Equity Incentive

Plan, and the type and amount of any Award that an individual will be entitled to receive under the Equity Incentive Plan, will be determined by the Resulting Issuer Board based on its judgment as to the best interests of CSAC and its shareholders, and therefore cannot be determined in advance.

The maximum number of Resulting Issuer Shares that may be issued under the Equity Incentive Plan shall be fixed by the Resulting Issuer Board to be 12% of the Resulting Issuer Shares outstanding, on a Diluted Basis (excluding grants made pursuant to the Equity Incentive Plan), from time to time, subject to adjustment in the Equity Incentive Plan. 10% of such Resulting Issuer Shares, subject to adjustment in accordance with the Equity Incentive Plan, shall be available for time-based vested Awards. In addition to the foregoing, 2% of such Resulting Issuer Shares, subject to adjustment in the Equity Incentive Plan, shall be available for performance-based Awards (with the performance target being set as the market capitalization of the Resulting Issuer Shares outstanding, on a Diluted Basis (excluding grants made pursuant to the Equity Incentive Plan), having reached or exceeded C\$1.0 billion for 20 out of 30 consecutive trading days in order for vesting of such Awards to occur). Notwithstanding the foregoing, a maximum of 5,100,000 Resulting Issuer Shares may be issued as ISOs, subject to adjustment in the Equity Incentive Plan.

The maximum number of Resulting Issuer Shares that may be issued under the Equity Incentive Plan to any one Related Person, or the number of securities that may be issuable on exercise of the Options granted to any one Related Person, as compensation within any one-year period, excluding performance-based Awards (with the performance target being set as the market capitalization of the Resulting Issuer Shares outstanding, shall not exceed 2.5% of the outstanding Resulting Issuer Shares, on a Diluted Basis (excluding grants under the Equity Incentive Plan), at the time of grant, subject to adjustment in the Equity Incentive Plan. The maximum number of Resulting Issuer Shares that may be issued under the Equity Incentive Plan to CSAC's non-executive directors, as a whole, or the number of securities that may be issuable on exercise of the Awards granted to CSAC's non-executive directors, as a whole, as compensation within any one-year period, shall not exceed 1.0% of the outstanding Resulting Issuer Shares, on a Diluted Basis (excluding grants under the Equity Incentive Plan), at the time of grant, subject to adjustment in the Equity Incentive Plan. The Resulting Issuer Board will not grant Options to any one non-executive director in which the aggregate fair market value (determined as of the time the Options are granted) of such Options during any calendar year (under the Equity Incentive Plan and all other plans of CSAC and its Affiliates) shall exceed C\$100,000, or will not grant Awards in which the aggregate fair market value (determined as of the time the Awards are granted) of the Resulting Issuer Shares in respect to which the Awards are exercisable by such non-executive director during any calendar year (under the Equity Incentive Plan and all other plans of CSAC and its Affiliates) shall exceed C\$150,000.

Any shares subject to an Award under the Equity Incentive Plan that are not purchased or are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the Equity Incentive Plan. Financial assistance or support agreements may be provided by CSAC or any related entity to Participants in connection with grants under the Equity Incentive Plan, including full, partial or non-recourse loans if approved by the Resulting Issuer Board (with interested persons abstaining, if applicable).

In the event of any dividend (other than a regular cash dividend) or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, forward stock split, reverse stock split, reorganization, merger, amalgamation, consolidation, split-up, spin-off, combination, repurchase or exchange of Resulting Issuer Shares or other securities of CSAC, issuance of warrants or other rights to acquire Resulting Issuer Shares or other securities of CSAC, or other similar corporate transaction or event which affects the Resulting Issuer Shares, or unusual or nonrecurring events affecting CSAC or the financial statements of CSAC, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Resulting Issuer Board may, subject to any required regulatory or NEO Exchange approvals, make such adjustment which it deems appropriate in its discretion in order to prevent dilution or enlargement of the rights of Participants under the Equity Incentive Plan, to (i) the number and kind of Resulting Issuer Shares (or other securities or other property) that may thereafter be issued in connection with Awards, (ii) the number and kind of Resulting Issuer Shares (or other securities or other property) subject to outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and/or (iv) any share limit set forth in the Equity Incentive Plan.

Awards

Options

The Resulting Issuer Board is authorized to grant Options to purchase Resulting Issuer Shares that are either ISOs (meaning they are intended to satisfy the requirements of Section 422 of the Code), or NQSOs (meaning they are not intended to satisfy the requirements of Section 422 of the Code). Options granted under the Equity Incentive Plan will be subject to the terms and conditions established by the Resulting Issuer Board. Options granted under the Equity Incentive Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Resulting Issuer Board and specified in the applicable award agreement. The maximum term of an Option granted under the Equity Incentive Plan will be ten years from the date of grant (or five years in the case of an ISO granted to a 10% shareholder). Payment in respect of the exercise of an Option may be made in cash or by check, by surrender of unrestricted shares (at their fair market value on the date of exercise) or by such other method as the Resulting Issuer Board may determine to be appropriate.

RSUs

RSUs are granted in reference to a specified number of Resulting Issuer Shares and entitle the holder to receive, on achievement of specific performance goals established by the Resulting Issuer Board after a period of continued service with CSAC or its affiliates or any combination of the above as set forth in the applicable award agreement, one Resulting Issuer Share for each such Resulting Issuer Share covered by the RSU; provided, that the Resulting Issuer Board may elect to pay cash, or part cash and part Resulting Issuer Shares in lieu of delivering only Resulting Issuer Shares. The Resulting Issuer Board may, in its discretion, accelerate the vesting of RSUs. Unless otherwise provided in the applicable award agreement or as may be determined by the Resulting Issuer Board upon a Participant's termination of employment or service with the Resulting Issuer, the unvested portion of the RSUs will be forfeited and re-acquired by CSAC for cancellation at no cost.

General

The maximum term of the Awards to be granted under the Equity Incentive Plan will be 10 years. The Equity Incentive Plan will be presented to the CSAC Shareholders at the CSAC Meeting for their approval.

The Resulting Issuer Board may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, no Awards (other than fully vested and unrestricted Resulting Issuer Shares issued pursuant to any Award) granted under the Equity Incentive Plan shall be transferable except by will or by the laws of descent and distribution. No Participant shall have any rights as a shareholder with respect to Resulting Issuer Shares covered by Options or RSUs, unless and until such Awards are settled in Resulting Issuer Shares.

No Option shall be exercisable, no Resulting Issuer Shares shall be issued, no certificates, registration statements or electronic positions for Resulting Issuer Shares shall be delivered and no payment shall be made under the Equity Incentive Plan except in compliance with all applicable laws and NEO Exchange and any other regulatory requirements.

The Resulting Issuer Board may amend, alter, suspend, discontinue or terminate the Equity Incentive Plan and the Resulting Issuer Board may amend any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Resulting Issuer Shareholders if such approval is necessary to comply with any tax, regulatory or NEO Exchange requirement applicable to the Equity Incentive Plan (including, without limitation, as necessary to comply with the NEO Exchange Policies or any rules or requirements of any applicable securities exchange), and (ii) subject to the next following paragraph, no such amendment or termination may adversely alter or impair the Awards then outstanding without the Award holder's permission. The Resulting Issuer Board may, without prior approval of the Resulting Issuer Shareholders, correct any defect, supply any omission or reconcile any inconsistency in the Equity Incentive Plan or in any Award or award agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Equity Incentive Plan.

In the event of any reorganization, merger, amalgamation, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Resulting Issuer Shares or other securities of

CSAC or any other similar corporate transaction or event involving the change of control of CSAC (or if CSAC shall enter into a written agreement to undergo such a transaction or event), the Resulting Issuer Board may, in its sole discretion, take such measures or make such adjustments in regards to any securities granted pursuant to the Equity Incentive Plan, as it deems appropriate, as further described in the Equity Incentive Plan. Notwithstanding the foregoing, upon a corporate transaction or event involving the change of control of CSAC, all securities granted pursuant to the Equity Incentive Plan shall immediately vest in each grantee's sole discretion.

Tax Withholding

CSAC may take such action as it deems appropriate to ensure that all applicable federal, State, provincial, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

OPTIONS TO PURCHASE SECURITIES

Options

The aggregate number of Options and RSUs that are expected to be outstanding upon completion of the Transaction, as well as their corresponding vesting terms and exercise prices, as applicable, currently remain to be determined. For a description of the Options and RSUs, see "*Equity Incentive Plan Description – Summary of Equity Incentive Plan*".

CSAC Warrants

16,359,058 CSAC Warrants are outstanding as of the date of this prospectus, which were issued as part of the 2017 initial public offering of CSAC. The CSAC Warrants shall represent share purchase warrants to acquire Resulting Issuer Shares following 65 days after the Effective Date, at an exercise price of C\$11.50 per share.

The 16,359,058 CSAC Warrants are governed by the terms of the Warrant Agreement. See "*Corporate Structure – Definitive Agreements – Warrant Agreement*" for a description of the terms.

Once the CSAC Warrants become exercisable, pursuant to the terms of the Warrant Agreement, CSAC may accelerate the expiry date of the outstanding CSAC Warrants (excluding the CSAC Founders' Warrants but only to the extent still held by Mercer at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by Mercer of material undisclosed information which could limit their flexibility) by providing 30 days' notice if, and only if, the closing share price of the CSAC Class B Shares equals or exceeds C\$18.00 per CSAC Class B Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided. In the event that the foregoing conditions are satisfied upon or following completion of the Transaction, it is expected that CSAC will accelerate the expiry date of the CSAC Warrants by providing such notice.

CSAC Rights

13,737,188 CSAC Rights are outstanding as of the date of this prospectus, which were issued as part of the 2017 initial public offering of CSAC, are governed by the terms of the Rights Agreement. The CSAC Rights entitle the holders to receive, for no additional consideration, commencing upon the closing of the Transaction, one-tenth (1/10) of a Resulting Issuer Share, subject to adjustment under the terms of the Rights Agreement. In order to effect such a conversion, the holder of any CSAC Rights must surrender to the Rights Agent the certificates or electronic positions representing the CSAC Rights held by the holder, together with a duly completed conversion form in form and manner satisfactory to the CSAC Rights Agent pursuant to the terms of the Rights Agreement. Any CSAC Right that has not been converted within two (2) years after the completion of CSAC's qualifying transaction shall be null and void. See "*Corporate Structure – Definitive Agreements – Rights Agreement*" for a description of the terms.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following sets out, based on the number of issued and outstanding Resulting Issuer Shares expected to be outstanding upon completion of the Transaction, the anticipated number of securities of CSAC that will be subject to a contractual restriction on transfer upon the completion of the Transaction. To the knowledge of CSAC and the Target Businesses, no other securities of CSAC will be held in escrow or will be subject to contractual restrictions on transfer.

<u>Designation of Class</u>	<u>Number of Securities Subject to Contractual Restriction</u>	<u>Percentage of Class</u>
CSAC Class B Shares ⁽¹⁾	3,696,485	21.5% ⁽²⁾
CSAC Warrants ⁽¹⁾	2,884,063	17.6%
Exchangeable Shares ⁽³⁾	7,614,706	100%

Notes:

- (1) See “*CSAC Founders’ Shares*” below for a summary of the contractual restrictions on transfer.
- (2) Assumes no redemptions of CSAC Class A Restricted Voting Shares. Assuming redemption levels of CSAC Class A Restricted Voting Shares of 50%, the percentage of Resulting Issuer Shares that would be subject to contractual restrictions on transfer would be approximately 38%.
- (3) See “*Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Lock-up and Transfer Restrictions Applicable to the Exchangeable Shareholders*”.

CSAC Founders’ Shares

On the closing of CSAC’s initial public offering, the CSAC Founders entered into the Forfeiture and Transfer Restrictions Agreement and Undertaking pursuant to which each CSAC Founder agreed to certain forfeiture and transfer restrictions in respect of their: (i) aggregate 3,662,109 CSAC Founders’ Class B Shares (which were acquired for nominal consideration); (ii) 2,734,375 CSAC Warrants (which were acquired for C\$1.00 per CSAC Warrant); and (iii) 273,438 CSAC Class B Units (which were acquired for \$10.00 per CSAC Class B Unit). These restrictions will continue to apply to the Resulting Issuer Shares and CSAC Warrants to be received in exchange therefor.

Pursuant to the Forfeiture and Transfer Restrictions Agreement and Undertaking, the CSAC Founders agreed not to transfer any of their founders’ Resulting Issuer Shares until the earliest of: (i) one year following completion of the Transaction; (ii) the date following the completion of the Transaction on which CSAC completes a liquidation, merger, Transaction, share exchange or other similar transaction that results in all of the holders of Resulting Issuer Shares receiving in exchange for or having the right to exchange their Resulting Issuer Shares for cash, securities or other property; and (iii) the date on which the closing price of the Resulting Issuer Shares equals or exceeds C\$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, recapitalizations and the like) for any 20 trading days within any 30-trading day period at any time following the closing of the Transaction; in each case, subject to applicable securities laws and NEO Exchange rules. Any Resulting Issuer Shares issued in exchange for CSAC Class A Restricted Voting Shares held by the CSAC Founders are not subject to the forfeiture or transfer restrictions set out in the Transfer Restrictions Agreement and Undertaking.

As well, pursuant to the Forfeiture and Transfer Restrictions Agreement and Undertaking, 25% of the CSAC Founders’ Resulting Issuer Shares will be subject to forfeiture on the fifth anniversary of the Transaction unless the value of the Resulting Issuer Shares exceeds C\$13.00 (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations) for any 20 trading days within a 30-day trading period at any time following the closing of the Transaction. See also “*Principal Shareholders*” below.

Exchangeable Shares

See “Corporate Structure – Exchangeable Shares and Exchange Rights Agreements – Lock-up and Transfer Restrictions Applicable to the Exchangeable Shareholders”.

PRIOR SALES

The following table sets forth the details regarding all issuances of shares, including issuances of all securities convertible or exchangeable into shares, during the 12 month period before the date of this Prospectus.

<u>Date(s)</u>	<u>Type of Security Issued</u>	<u>Issuance/Exercise Price per Security</u>	<u>Number of Securities Issued</u>
September 25, 2017; December 14, 2017; December 21, 2017;		C\$10.00	
January 19, 2017.....	CSAC Class B Shares	C\$0.0068	3,696,486
December 21, 2017; January 19, 2018.....	CSAC Class A Restricted Voting Units	C\$10.00	13,475,000 ⁽²⁾⁽³⁾
December 21, 2017; January 19, 2018.....	CSAC Class B Units	C\$10.00	262,188 ⁽⁴⁾⁽⁵⁾
December 21, 2017; January 19, 2018.....	CSAC Warrants	C\$1.00 / C\$11.50 C\$1.00 / C\$11.50	16,359,058 ⁽⁶⁾
December 21, 2017; January 19, 2018.....	CSAC Rights	N/A	13,737,188 ⁽⁷⁾

Notes:

- (1) Includes the 1 CSAC Class B Share issued for \$10.00 on September 25, 2017 in connection with CSAC’s incorporation and initial organization, the forfeiture of 227,812 CSAC Class B Shares pursuant to the partial exercise of the over-allotment option in connection with CSAC’s initial public offering, as well as the issuance of the CSAC Class B Shares underlying the CSAC Class B Units.
- (2) Includes the additional 975,000 CSAC Class A Restricted Voting Units issued pursuant to the partial exercise of the over-allotment option in connection with CSAC’s initial public offering.
- (3) The CSAC Class A Restricted Voting Units, comprising of CSAC Class A Restricted Voting Shares, CSAC Warrants and CSAC Rights, began trading separately following the close of business on January 30, 2018.
- (4) Includes the additional 12,188 CSAC Class B Units issued pursuant to the partial exercise of the over-allotment option in connection with CSAC’s initial public offering.
- (5) The CSAC Class B Units, comprising of CSAC Class B Shares, CSAC Warrants and CSAC Rights, split into their underlying securities following the close of business on January 30, 2018.
- (6) Includes (i) the 13,475,000 CSAC Warrants underlying the CSAC Class A Restricted Voting Shares that were issued in connection with CSAC’s initial public offering and the partial exercise of the over-allotment option in connection therewith, (ii) the 262,188 CSAC Warrants underlying the CSAC Class B Restricted Voting Units that were issued in connection with CSAC’s initial public offering and the partial exercise of the over-allotment option in connection therewith, and (iii) the 2,621,870 CSAC Founders’ Warrants issued to Mercer in connection with CSAC’s initial public offering and the partial exercise of the over-allotment option in connection therewith.
- (7) Includes (i) the 13,475,000 CSAC Rights underlying the CSAC Class A Restricted Voting Units that were issued in connection with CSAC’s initial public offering and the partial exercise of the over-allotment option in connection therewith, and (ii) the 262,188 CSAC Rights underlying the CSAC Class B Restricted Voting Units that were issued in connection with CSAC’s initial public offering and the partial exercise of the over-allotment option in connection therewith.

The CSAC Class A Restricted Voting Shares are listed on the NEO Exchange and trade under the symbol “CSA.A”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Class A Restricted Voting Shares on the NEO Exchange:

Period	High (\$)	Low (\$)	Volume
December 1 - 7, 2018	\$17.69	\$15.18	315,277
November 2018	\$19.98	\$16.25	2,045,242
October 2018	\$19.99	\$11.10	5,211,232
September 2018	\$11.95	\$9.85	5,370,445
August 2018.....	\$10.50	\$9.85	1,297,954
July 2018	\$10.05	\$9.85	1,477,691
June 2018.....	\$9.95	\$9.75	3,325,380
May 2018.....	\$9.90	\$9.70	275,244
April 2018.....	\$9.95	\$9.65	609,945
March 2018.....	\$9.75	\$9.51	71,875
February 2018.....	\$9.70	\$9.40	390,395
January 2018.....	\$9.75	\$9.60	208,950
December 2017.....	--	--	--

The CSAC Warrants are listed on the NEO Exchange and trade under the symbol “CSA.WT”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the CSAC Warrants on the NEO Exchange:

Period	High (\$)	Low (\$)	Volume
December 1 - 7, 2018	\$5.35	\$3.16	66,000
November 2018	\$6.50	\$4.18	2,342,432
October 2018	\$6.90	\$2.00	4,509,565
September 2018.....	\$2.20	\$1.20	2,466,231
August 2018.....	\$1.50	\$1.15	1,018,016
July 2018	\$1.40	\$0.90	1,341,331
June 2018.....	\$0.85	\$0.70	301,511
May 2018.....	\$0.81	\$0.65	602,915
April 2018.....	\$0.75	\$0.60	57,330
March 2018.....	\$0.75	\$0.50	26,000
February 2018.....	\$0.75	\$0.50	3,221,700
January 2018.....	\$1.00	\$0.65	637,200
December 2017.....	--	--	--

The CSAC Rights are listed on the NEO Exchange and trade under the symbol “CSA.RT”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the CSAC Rights on the NEO Exchange:

Period	High (\$)	Low (\$)	Volume
December 1 - 7, 2018	--	--	--
November 2018	\$1.88	\$1.51	31,641
October 2018	\$1.80	\$0.50	1,659,299
September 2018.....	\$1.10	\$0.95	655,604
August 2018.....	\$0.90	\$0.75	1,135,300
July 2018	\$0.80	\$0.70	657,640
June 2018.....	\$0.60	\$0.50	91,000
May 2018.....	\$0.60	\$0.40	203,540
April 2018.....	\$0.65	\$0.53	13,050
March 2018.....	\$0.53	\$0.40	2,000
February 2018.....	\$0.40	\$0.35	3,044,400

Period	High (\$)	Low (\$)	Volume
January 2018.....	\$0.40	\$0.25	153,700
December 2017.....	--	--	--

PRINCIPAL SHAREHOLDERS

The following table discloses, based on the number of issued and outstanding Resulting Issuer Shares expected to be outstanding upon completion of the Transaction, the names of the persons or companies who, upon completion of the Transaction and assuming that no CSAC Shareholders elect to redeem their CSAC Class A Restricted Voting Shares, will, to CSAC and the Target Businesses' knowledge, beneficially own or control, directly or indirectly, more than 10% of the combined voting rights attached to the Resulting Issuer Shares.

Name	Number of Resulting Issuer Shares	Type of Ownership	Percentage	Total Voting Power
Mercer Park CB, L.P.	3,677,625 ⁽¹⁾⁽²⁾	Registered	21.4% ⁽³⁾	21.4% ⁽³⁾

Notes:

- (1) A portion of Mercer's holdings are subject to forfeiture as further described below in "*Securities Subject to Contractual Restriction on Transfer – CSAC Founders' Shares*".
- (2) Excludes the Resulting Issuer Shares issuable upon (i) exercise of the CSAC Warrants, which are exercisable commencing 65 days after the completion of the Transaction, and (ii) the conversion of the CSAC Rights, which are convertible upon the completion of the Transaction. See "*Corporate Structure – Warrant Agreement*" and "*Corporate Structure – Rights Agreement*".
- (3) On a Diluted Basis, Mercer Park CB, L.P. is expected to beneficially own or control, directly or indirectly, approximately 14.8% of the Resulting Issuer Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The names, municipality of residence and positions with CSAC of the persons who are expected to serve as directors and executive officers of CSAC after giving effect to the Transaction are set out below. Each of the proposed members of the Resulting Issuer Board will be formally appointed to the Resulting Issuer Board at or following the closing of the Transaction.

Directors

Name and Province/State and Country of Residence ⁽¹⁾	Present Principal Occupation
Jonathan Sandelman New York, NY	Chief Executive Officer, Mercer Park, L.P.
Mark Smith Edwards, CO	Chief Executive Officer, Green Cross Colorado
Kamaldeep Thindal ⁽²⁾ Langley, BC	Managing Partner, Core Capital Partners Inc.
Charles Miles ⁽²⁾ Brooklyn, NY	Consultant, Recapture Partners
Louis F. Karger Needham, MA	Founder and Manager, Panther Properties Management LLC, Panther Residential Management LLC
Mark Pitchford Verdi, NV	Owner and Chief Executive Officer, KYND Cannabis Company
Steve Menzies Las Vegas, NV	Manager, Focus Plumbing LLC, Focus Electric LLC, Focus Concrete LLC and Focus Framing Door & Trim LLC

Notes:

- (1) CSAC expects to appoint at least one other individual to the Resulting Issuer Board.
- (2) Proposed member of the Audit Committee.

As the proposed directors CSAC set forth above, other than Jonathan Sandelman, Mark Smith, Kamaldeep Thindal and Charles Miles, who are currently directors of CSAC, are not current directors of CSAC and will not become directors of CSAC until the completion of the Transaction, they will not be subject to liability as directors for any misrepresentation in this prospectus.

The directors of CSAC will thereafter be elected by Resulting Issuer Shareholders at each annual meeting of shareholders, and will hold office until the next annual meeting of CSAC, unless: (i) his or her office is earlier vacated in accordance with the articles of CSAC; or (ii) he or she becomes disqualified to act as a director.

Executive Officers

Name and Residence	Proposed Position with CSAC	Present Principal Occupation
Jonathan Sandelman New York, NY	Chairman, Chief Executive Officer and Corporate Secretary	Chief Executive Officer, Mercer Park, L.P.
Mark Smith Edwards, Colorado	Executive Vice Chairman	Chief Executive Officer, Green Cross Colorado
Jennifer Drake New York, NY	Chief Operating Officer	Chief Operating Officer, Mercer Park, L.P.
Carmelo Marrelli Toronto, ON	Chief Financial Officer	Chartered Professional Accountant and President, Marrelli Support Services Inc.
Christopher R. Burggraeve New York, NY	Chief Commercial Officer	Founder and Chief Executive Officer, Vicomte LLC

Biographies

The following are brief profiles of the proposed directors and executive officers of CSAC, including a description of each individual's principal occupation within the past five years.

Executive Officers

Jonathan Sandelman, Chairman, Chief Executive Officer and Corporate Secretary

Jonathan (Jon) Sandelman is the Chief Executive Officer of Mercer Park, L.P., the parent of Mercer, CSAC's sponsor. Prior to this role, he was Chief Executive Officer and Chief Investment Officer of Sandelman Partners, LP. Previously, he was the President of Banc of America Securities and former Head of Debt and Equities at Banc of America Securities. While at Banc of America Securities, he served as a member of the company's Operating Committee, Banc of America Securities Leadership Committee and The Global Corporate and Investment Banking Compensation Committee. As Head of Debt and Equities, Mr. Sandelman was responsible for all of market risk and the strategic direction of the firm's trading, distribution and new products development efforts. He oversaw the firm's capital markets function in coordination with the head of banking. Mr. Sandelman began his career with Banc of America Securities in 1998 as head of the Equity Financial Products business, and he became head of Equities in 2002. He was appointed President of Banc of America Securities in early 2004. Prior to joining Banc of America, he was deputy head of Global Equities and Managing Director of equity derivatives and proprietary trading at Salomon Brothers and a member of the firm's Risk Management Committee and Compensation Committee. Mr. Sandelman has been honored with Risk Magazine's prestigious "Derivative Superstar" award and Derivative Magazine's "Derivative Person of the Year." Mr. Sandelman earned a Bachelor of Science (BS) from Adelphi University and earned his law degree (Juris Doctor) from Cardozo School of Law.

Mark Smith, Executive Vice Chairman

Mark Smith is the Chief Executive Officer of Green Cross Colorado, Green Cross Nevada and Tumbleweed Companies. Mr. Smith oversees a multi-State operation in the marijuana industry that includes marijuana production

licenses for Nevada used to produce a variety of products including CannaPunch, Highly Edible and Dutch Girl Edibles. He also oversees two similar manufacturing facilities in Nevada producing like products for that market. Mr. Smith also oversees and develops dispensaries under the Tumbleweed brand, and currently the company has seven operating dispensaries. Prior to his current employment, and for approximately five years, Mr. Smith was the owner and Chief Executive Officer of a pawnshop company, whereby he built up a large chain of stores through acquisition and greenfield development culminating in a total of 13 stores. Mr. Smith subsequently sold this business to a publicly-held company, EZ Pawn. Mr. Smith received his Bachelor of Arts from Gustavus Adolphus College and Juris Doctor degree from Hamline School of Law.

Jennifer Drake, Chief Operating Officer

Jennifer Drake is Chief Operating Officer of Mercer Park, L.P., the parent of Mercer, CSAC's sponsor. Prior to this role, she served as President and Chief Operating Officer of Tricadia Capital Management after holding a similar role as Chief Operating Officer of DW Partners, both multi-strategy hedge funds with assets under management of several billion dollars. Prior to DW Partners, Ms. Drake was a Managing Director at Goldman Sachs where she focused on absolute return strategies in the credit and equity markets and was a member of the Liquid Markets Investment Committee for the \$120 billion Alternative Investments and Manager Selection group. Ms. Drake has also held senior positions at GAM Investments and Nomura Securities' proprietary trading team. Ms. Drake holds a Bachelor of Arts degree in Physics, with honors, from Williams College.

Carmelo Marrelli, Chief Financial Officer

Carmelo Marrelli is the principal of Marrelli Support Services Inc., a firm that has delivered accounting and regulatory compliance services to listed companies on various exchanges for over twenty years. In addition, Mr. Marrelli also controls DSA Corporate Services Inc., a firm providing corporate secretarial and regulatory filing services. Mr. Marrelli is a Chartered Professional Accountant (CPA, CA, CGA), and a member of the Institute of Chartered Secretaries and Administrators, a professional body that certifies corporate secretaries. He received a Bachelor of Commerce degree from the University of Toronto.

Christopher R. Burggraave, Chief Commercial Officer

Christopher (Chris) R. Burggraave is the founder and chief executive officer of Vicomte LLC, which is a brand management company that advises corporations, start-ups, private equity firms and family offices. Prior to founding Vicomte, Mr. Burggraave spent five years as the Global Chief Marketing Office of Anheuser-Busch InBev SA/NV. He has also served in a number of senior marketing and general management roles with The Coca-Cola Company throughout Europe and Eurasia, and as a brand manager at Procter and Gamble Company. Mr. Burggraave is a global business marketer turned investor, entrepreneur, advisor, board member and adjunct faculty member of the NYU School of Business, and has nearly 30 years of expertise merging brand management, societal context, and profit and loss statements. As one of the early consumer packaged goods industry leaders to have actively recognized the importance and potential of the cannabis industry, he co-founded Toast Holdings in 2016, the parent company of Aspen-born cannabis pre-roll brand ToastTM. Mr. Burggraave is also the Chairman of greenRush, an online marketplace for legally purchasing cannabis in the United States. He holds a Master's degree in Economics and Business from KU Leuven, a Master's degree in European Economics from the Centre Européen Universitaire de Nancy and a TRIUM Global Executive Master's degree in Business Administration from (collectively) New York University – Stern School of Business, the London School of Economics and HEC Paris.

Other Current Members of CSAC's Board of Directors

Kamaldeep Thindal, Director

Kamaldeep (Kam) Thindal is a co-founder of Core Capital Partners (formerly Hamza Thindal Capital Corp.) and serves as the firm's Managing Partner. Prior to founding Core, Mr. Thindal spent five years as an independent capital markets advisor for a number of TSX Venture Exchange listed companies. Over the course of that time, he was involved in several financings across multiple sectors. For the past five years, Mr. Thindal has sourced investments, negotiated financings and acquisitions in various sectors with a particular focus on biotech, health care and special situations. He has been involved in leading transactions in both private and public companies. Prior to his career in venture capital, Mr. Thindal spent five years at a private manufacturing company in Vancouver, Canada

where he helped restructure the company, optimize operations, introduce new products and evolve the company from a family run business to a multi-national brand. He holds a Bachelor of Technology in Technology Management from the British Columbia Institute of Technology.

Charles Miles, Director

Charles (Charlie) Miles is a Managing Director at Recapture Partners, which is a venture capital company that advises, invests and raises money in early stage Fintech companies. Prior to this role, he worked at Bloomberg LLP as an equity option trader. Prior to his tenure at Bloomberg, he was a volatility arbitrage hedge fund portfolio manager and Managing Director at Deutsche Bank. He also was a portfolio manager at Del Mar Asset Management, and started his own hedge fund, Claris Capital Management. He began his career at Salomon Brothers, where he was involved in equity research, quantitative portfolio management and equity derivatives sales and management. As a Managing Director at Salomon Brothers and Citibank, he ran one of the most successful equity derivatives sales teams on Wall Street during a time of unprecedented growth in the product. Mr. Miles received his Bachelor of Arts in Economics and Political Science from Middlebury College.

Additional Proposed Members of the Resulting Issuer Board

Louis F. Karger, Director

Louis F. Karger is the sole Manager and founder of Panther Residential Investments LLC and Panther Residential Management LLC. Both companies focus on the acquisition, development, management and sale of multi-family apartment properties in the Southeast United States. Panther Residential Investments LLC also serves as the Manager of many affiliated real estate entities (collectively with Panther Residential Investments LLC and Panther Residential Management LLC, the “**PRM Group Companies**”). Mr. Karger is responsible for the overall direction, vision and leadership of the PRM Group Companies with a focus on investment strategies, capital and debt financings, and determining new development objectives. In addition, he oversees the PRM Group Companies’ day-to-day operations and the execution of its overall business, management and development strategy. To date, the PRM Group Companies has acquired over 7,000 residential apartment units with a total transaction value of approximately \$1,411,579,460. Mr. Karger is also a Director and the Treasurer of Sira and is a co-founder of (i) Compass Realty Associates, LLC, a private equity real estate firm that owns and manages approximately one million square feet of property throughout the New England region, and (ii) Compass Realty Partners, LLC, a \$72 million real estate investment fund. Mr. Karger holds a Bachelor of Science degree from the Boston University School of Hospitality Administration.

Mark Pitchford, Director

Mark Pitchford is the founder of Washoe and Canopy. Mr. Pitchford is active in the cannabis industry, and has had integral involvement in the creation, design and operation of over a dozen marijuana cultivation, dispensary, processing, distribution and management companies in both California and Nevada. He is the owner and Chief Executive Officer of KYND Cannabis Company, which is a producer of cured cannabis flower, concentrates, vaporizer pens, CBD formulas and edibles sold by dispensaries throughout the State of Nevada, and is one of the founding members of Mynt Cannabis Dispensary, the only cannabis dispensary located in the downtown Reno entertainment district. Mr. Pitchford has consulted on multiple industry-related operations and medical marijuana application processes across U.S. He is the president of Wise Owl Team Inc., a consulting management company that provides services such as executive oversight, compliance oversight, financial oversight, security and loss prevention oversight and human resources oversight. Mr. Pitchford is also the founder and Chief Executive Officer of M&M Agriculture, a hemp consulting, operation, genetic distribution company.

Steve Menzies, Director

Steve Menzies is the founder of LivFree. Mr. Menzies has over 40 years of experience in construction, home building and land development. He is a master electrician and a master plumber, and is certified by the National Association of Home Builders. As an entrepreneur, Mr. Menzies started and acquired several subcontractor companies in order to offer a “one stop shop” for Las Vegas homebuilders with highly efficient and streamlined administrative and accounting management. In 2006, he sold two of these companies, Efficient Electric and United Plumbing, along with McGwire Supply, an electrical distributor, to Stock Building Supply (“**SBS**”) where he

continued to work as West Coast Manager, supporting SBS' role as a major supplier of subcontracting services for homebuilders in the Las Vegas valley until SBS was wound up in 2009. Mr. Menzies is currently a majority owner of Focus Plumbing, Focus Electric, Focus Framing Door & Trim, Green Image LLC dba GTI, Focus Concrete and Focus Fire Protection. Along with LivFree, these companies collectively employ 1600 employees across the State of Nevada as of the date of this prospectus.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of CSAC and the Target Businesses, no proposed nominee for election as a director or proposed executive officer of CSAC has been, at the date of the prospectus or within the last 10 years: (a) a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was the subject of an event that resulted, after that person ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of such an order; or (b) a director or executive of a company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, transaction or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director or executive officer of CSAC has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

To the knowledge of CSAC, no proposed director or executive officer of CSAC has, within the 10 years before the date of the prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, transaction or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Majority Voting Policy

It is expected that CSAC will adopt a majority voting policy consistent with NEO Exchange requirements prior to the first uncontested meeting of shareholders at which directors are to be elected.

Forum Selection By-law

CSAC's articles will include a provision providing for a forum for adjudication of certain disputes whereby, unless CSAC approves or consents in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of British Columbia, Canada and appellate courts therefrom shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of CSAC; (ii) any action asserting a claim for breach of a fiduciary duty owed by any director or officer of CSAC to CSAC; (iii) any action asserting a claim arising pursuant to any provision of the BCBCA or the articles of CSAC (as either may be amended from time to time); or (iv) any action asserting a claim otherwise related to the relationships among CSAC, its affiliates and their respective shareholders, directors and/or officers, but does not include claims related to the business carried on by CSAC or such affiliates. Any person or entity owning, purchasing or otherwise acquiring any interest, including without limitation any registered or beneficial ownership thereof, in the securities of CSAC shall be deemed to have notice of and consented to the provisions of the articles.

Conflicts of Interest

Certain of the proposed directors and executive officers of CSAC are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with CSAC from time to time. The BCBCA requires, among other things, that the directors and executive officers of CSAC act honestly and in good faith with a view to the best interest of CSAC, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with CSAC and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that

conflicts of interest arise, such conflicts are required to be resolved in accordance with the provisions of the BCBCA. See also “*Corporate Governance*” and “*Risk Factors*” in this prospectus.

Directors’ and Officers’ Liability Insurance

CSAC intends to seek to carry a directors’ and officers’ liability insurance policy which will be designed to protect CSAC and its directors and officers against any legal action which may arise as a result of wrongful acts on the part of directors and/or officers of CSAC. Any such policy will be written with a maximum limit and be subject to a corporate deductible on all claims.

DIRECTORS’ AND EXECUTIVE OFFICERS’ COMPENSATION

CSAC operates in a competitive and rapidly evolving market. To succeed in this environment and to achieve its business and financial objectives, CSAC needs to attract, retain and motivate a highly talented team of executives. CSAC expects its team to possess and demonstrate strong leadership and management capabilities, as well as foster CSAC’s company culture, which is at the foundation of its success and remains a pivotal part of its everyday operations.

CSAC’s executive compensation program will be designed to achieve the following objectives:

- provide market-competitive compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to CSAC’s success;
- motivate these executive officers to achieve CSAC’s business objectives;
- align the interests of CSAC’s executive officers with those of its shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of CSAC’s business; and
- provide incentives that encourage appropriate levels of risk-taking by the executive team.

It is expected that the “named executive officers” of CSAC will include Jonathan Sandelman as the Chairman, Chief Executive Officer and Corporate Secretary, Mark Smith as Executive Vice Chairman, Carmelo Marrelli as Chief Financial Officer, Jennifer Drake as Chief Operating Officer and Christopher R. Burggraeve as Chief Commercial Officer. An issuer’s “named executive officers” are comprised of its Chief Executive Officer and Chief Financial Officer (or individuals who serve in similar capacities), and its three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation is, individually, more than \$150,000.

It is anticipated that the Resulting Issuer Board will adopt a written charter for the C&CG Committee that establishes, among other things, the C&CG Committee’s purpose and its responsibilities with respect to executive compensation (see “*Corporate Governance – C&GC Committee*”). The charter of the C&CG Committee will provide that such committee shall, among other things, assist the Resulting Issuer Board in its oversight of executive compensation, management development and succession, director compensation and executive compensation disclosure.

Although formal executive compensation arrangements for the executive officers of CSAC have not yet been determined, it is anticipated that CSAC will adopt a compensation structure for executive officers that is consistent with its peers and designed to provide strong incentive for business growth.

CSAC will continue to evaluate its philosophy and compensation programs as circumstances require and plan to review compensation on an annual basis. As part of this review process, CSAC expects to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to find a replacement for a key employee.

CSAC has not established an annual retainer fee or attendance fee for directors. However, CSAC may establish directors' fees for non-executive directors in the future, in consultation with a compensation consultant or advisor, and will reimburse directors for all reasonable expenses incurred in order to attend meetings.

All current directors and officers of CSAC, as well as all those to be appointed at closing, will be indemnified on customary terms by both CSAC and each of the Target Businesses.

Benchmarking

The executive team is expected to establish an appropriate comparator group for purposes of setting the future compensation of the NEOs.

Elements of Compensation

The compensation of the NEOs is expected to be comprised of the following major elements: (a) base salary; (b) an annual, discretionary cash bonus; and (c) long-term equity incentives, consisting of stock options, restricted stock awards, performance compensation awards and/or other applicable awards granted under the Equity Incentive Plan and any other equity plan that may be approved by the Resulting Issuer Board from time to time. These principal elements of compensation are described below.

Base Salary

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to CSAC's success, the NEO's experience and expertise, the position and responsibilities of the NEO, and competitive industry pay practices for other high growth, premium brand companies of similar size and revenue growth potential.

Annual Cash Bonus

Annual bonuses may be awarded based on qualitative and quantitative performance standards, and will reward performance of the NEO individually. The determination of a NEO's performance may vary from year to year depending on economic conditions and conditions in the cannabis industry, and may be based on measures such as stock price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance.

Equity Incentive Plan

In connection with the Transaction, CSAC Shareholders will be asked to approve the Equity Incentive Plan at the CSAC Meeting. CSAC may grant Options and other securities upon completion of the Transaction. The Resulting Issuer Board may also decide to grant new Options and other securities pursuant to the Equity Incentive Plan in the future. For further details in respect of the Equity Incentive Plan, please see "*Equity Incentive Plan Description – Summary of Equity Incentive Plan*".

Pension Plan Benefits

CSAC does not intend to implement any deferred compensation plan, pension plan or other forms of funded or unfunded retirement compensation for its employees that provides for payments or benefits at, following or in connection with retirement.

Compensation, Employment Agreements, Termination and Change of Control Benefits

Employment agreements between CSAC and its NEOs are expected to be executed in connection with or following closing of the Transaction. It is expected that such employment agreements will contain customary change of control provisions. The specific terms of the employment contracts to be entered into between CSAC and its NEOs will be subject to review and approval by the Resulting Issuer Board and, other than as described below, have not yet been finalized as of the date of this prospectus. Upon completion of the Transaction, it is expected that the Resulting Issuer Board will review and adjust the executive compensation for its NEOs to the extent necessary to

ensure that the compensation is in line with CSAC's compensation philosophy and objectives and aligned with market practices of similar issues. Accordingly, the information provided below is subject to change following completion of the Transaction.

In respect of the year ended December 31, 2019, Mr. Sandelman, Mr. Smith and Ms. Drake are expected to have base salaries in the ranges of C\$375,000 to C\$475,000, respectively. 100% of Mr. Sandelman and Mr. Smith's projected compensation relates to their respective roles as Chief Executive Officer and Executive Vice Chairman of CSAC. Mr. Sandelman and Mr. Smith will not be compensated for their membership on the Resulting Issuer Board. It is expected that none of the NEOs will be entitled to perquisites or other personal benefits which, in the aggregate, will be worth over \$50,000 or over 10% of their base salary.

CSAC expects to continue to evaluate its philosophy and compensation programs as circumstances require and plans to review compensation on an annual basis. As part of this review process, CSAC expects to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to CSAC if it were required to find a replacement for a key employee.

Director Compensation

It is anticipated that CSAC will pay compensation to its directors, which may be comprised of cash (including annual fees for attending meetings of the Resulting Issuer Board and additional compensation for acting as chairs of committees of the Resulting Issuer Board), stock options and other applicable awards granted in accordance with the terms of the Equity Incentive Plan and the NEO Exchange Policies, or a combination of both. It is anticipated that CSAC will grant Options pursuant to its Equity Incentive Plan to each of its independent directors upon the consummation of the Transaction and thereafter annually. It is anticipated that the directors will be reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Resulting Issuer Board, committees of the Resulting Issuer Board or meetings of the shareholders of CSAC. It is also anticipated that CSAC will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors pursuant to which CSAC will agree to indemnify its directors to the extent permitted by applicable law.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this prospectus, no current, former, or proposed director, executive officer or employee of CSAC, nor any of their associates, is or has been at any time during the most recently completed financial year, indebted to CSAC or the Target Businesses, or is expected to be indebted to CSAC following the completion of the Transaction, other than routine indebtedness (as defined under NI 51-102) and the Target Promissory Notes. See "*Corporate Structure – Definitive Agreements – Material Agreements – Target Promissory Notes*" for a detailed description.

AUDIT COMMITTEE

The following disclosure is based on the present expectations of CSAC with respect to the formal establishment of the Audit Committee (the "**Audit Committee**") of the Resulting Issuer Board (without changes to the proposed composition) and the ratification and adoption of its proposed mandate (without any material modifications) will occur following completion of the Transaction. However, such disclosure remains subject to revision prior or subsequent to the Effective Date. See "*Notice to Readers*" in this prospectus. The proposed mandate of the Audit Committee is set out in Appendix S to this prospectus.

Composition of CSAC Audit Committee

On the Effective Date, the Audit Committee is expected to consist of Kamaldeep Thindal, Charles Miles, and a third member to be appointed prior to or at the closing of the Transaction. Each member of the Audit Committee is expected to be independent (as defined in NI 52-110) and none is expected to receive, directly or indirectly, any compensation from CSAC other than for service as a member of the Resulting Issuer Board and its committees. All proposed members of the Audit Committee will be financially literate (as defined under NI 52-110).

For the relevant education and experience of the members of the Audit Committee, please refer to the biographies of Kamaldeep Thindal and Charles Miles in "*Directors and Executive Officers — Biographies*" in this prospectus.

Pre-Approval Policies and Procedures

The Audit Committee will adopt requirements regarding pre-approval of non-audit services as part of its Audit Committee Mandate. The Audit Committee Mandate will require that the Audit Committee must approve in advance any retainer of the auditors to perform any non-audit service to CSAC (together with all non-audit service fees) that it deems advisable in accordance with applicable requirements and the Resulting Issuer Board approved policies and procedures. The Audit Committee intends to consider the impact of such service and fees on the independence of the auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee; however, the decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

External Audit Service Fees

All audit and non-audit services to be provided by CSAC's external auditor will be required to be pre-approved by the Audit Committee. It is expected that on an annual basis, CSAC's Audit Committee will pre-approve a budget for certain specific non-audit services such as assistance with tax returns.

CORPORATE GOVERNANCE

Unless otherwise indicated, the following disclosure is based on the present expectations of CSAC in respect of its corporate governance practices and the formal establishment of committees of the Resulting Issuer Board described below (without changes to the proposed composition) and the ratification and adoption of their respective proposed mandates (without any material modifications) will occur following completion of the Transaction. However, such disclosure remains subject to revision prior or subsequent to the Effective Date. See "Notice to Readers" in this prospectus.

Statement of Corporate Governance Practices

CSAC's corporate governance disclosure obligations are set out in the Canadian Securities Administrators' NI 58-101, NP 58-201 and NI 52-110. These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the "Guidelines"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of CSAC's anticipated approach to corporate governance in relation to the Guidelines.

Board of Directors

On the Effective Date, it is expected that the Resulting Issuer Board will be comprised of eight (8) directors: Jonathan Sandelman, Mark Smith, Kamaldeep Thindal, Charles Miles, Louis F. Karger, Mark Pitchford and Steve Menzies, and in addition, CSAC intends to appoint at least one other individual to the Resulting Issuer Board. The names, municipality of residence and positions with CSAC of the persons who are expected to serve as directors and executive officers of CSAC after giving effect to the Transaction are set out below. Each of the proposed members of the Resulting Issuer Board will be formally appointed to the Resulting Issuer Board following closing of the Transaction.

Directors

Name and Province/State and Country of Residence⁽¹⁾	Present Principal Occupation
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Jonathan Sandelman New York, NY	Chief Executive Officer, Mercer Park, L.P.
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Mark Smith Edwards, CO	Chief Executive Officer, Green Cross Colorado
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Kamaldeep Thindal ⁽²⁾	Managing Partner, Core Capital Partners Inc.
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Langley, BC	
Charles Miles ⁽²⁾ Brooklyn, NY	Consultant, Recapture Partners
Louis F. Karger Needham, MA	Founder and Manager, Panther Properties Management LLC, Panther Residential Management LLC
Mark Pitchford Verdi, NV	Owner and Chief Executive Officer, KYND Cannabis Company
Steve Menzies Las Vegas, NV	Manager, Focus Plumbing LLC, Focus Electric LLC, Focus Concrete LLC and Focus Framing Door & Trim LLC

Notes:

- (1) CSAC expects to appoint at least one other individual to the Resulting Issuer Board.
- (2) Proposed member of the Audit Committee.

As the proposed directors of CSAC set forth above, other than Jonathan Sandelman, Mark Smith, Kamaldeep Thindal and Charles Miles, who are currently directors of CSAC, are not current directors of CSAC and will not become directors of CSAC until the completion of the Transaction, they will not be subject to liability as directors for any misrepresentation in this prospectus.

Each director of CSAC will thereafter be required to be elected by Resulting Issuer Shareholders at each annual meeting of shareholders, and will hold office until the next annual meeting of CSAC, unless: (i) his or her office is earlier vacated in accordance with the Articles of CSAC; or (ii) he or she becomes disqualified to act as a director.

The primary function of the Resulting Issuer Board will be to supervise the management of the business and affairs of CSAC, including the responsibility for the strategic planning process, risk management, succession planning, approving and communicating a communications policy and disclosure policy, setting internal controls, corporate governance, senior management compensation and oversight, director compensation and assessment and approving material transactions and contracts. The Resulting Issuer Board will also be responsible for reviewing the succession plans for CSAC, including appointing, training and monitoring senior management to ensure that the Resulting Issuer Board and management have appropriate skill and experience. The Resulting Issuer Board will establish an Audit Committee and C&CG Committee. See “*Audit Committee*” and “*Corporate Governance – C&GC Committee*” for a description of each of the proposed committees of the Resulting Issuer Board, including the proposed membership thereof, as applicable.

Following the Effective Date, the Resulting Issuer Board will adopt a majority voting policy for the election of directors. For a description of such proposed policy, see “*Directors and Executive Officers – Majority Voting Policy*” in this prospectus.

The Resulting Issuer Board will delegate to the applicable committee those duties and responsibilities set out in each committee’s proposed mandate. The primary mandate of the Audit Committee will be to provide assistance to the Resulting Issuer Board in fulfilling its responsibility to Resulting Issuer Shareholders, potential shareholders and the investment community, to oversee the work and review the qualifications and independence of the external auditors of CSAC, to review the financial statements of CSAC and public disclosure documents containing financial information and to assist CSAC with the legal compliance and ethics programs as established by management and by the Resulting Issuer Board and as required by law.

The primary mandate of the C&CG Committee with respect to compensation will be to approve corporate goals and objectives relevant to the compensation of CSAC’s CEO and to make recommendations with respect to CSAC’s CEO compensation based on its evaluation, to recommend compensation Transactions for the directors, committee members and chairs, and the CSAC Chairman, to administer and interpret the incentive compensation and equity compensation plans, and to approve the appointment, compensation and terms of employment for CSAC’s CFO and senior management of CSAC. The primary mandate of the C&CG Committee with respect to corporate governance will be to assess the effectiveness of the Resulting Issuer Board, of committees of the Resulting Issuer Board and of the directors of the Resulting Issuer Board, to recommend to the Resulting Issuer Board candidates for election as directors and candidates for appointment to Board committees and to advise the Resulting Issuer Board on

enhancing CSAC's corporate governance through a continuing assessment of CSAC's approach to corporate governance.

Independence of the Resulting Issuer Board

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with CSAC. A "material relationship" is in turn defined as a relationship which could, in the view of the Resulting Issuer Board, be reasonably expected to interfere with such member's independent judgment. In determining whether a particular director is an "independent director" or a "non-independent director", the Resulting Issuer Board will consider the factual circumstances of each director in the context of the Guidelines.

It is expected that the Resulting Issuer Board will be comprised of eight members upon completion of the Transaction, with a ninth member to be added post-closing. Jonathan Sandelman and Mark Smith are not considered independent for the purposes of NI 58-101 because they will be part of management of CSAC and because they were, prior to the Effective Date, executive officers of CSAC.

Chairman

Jonathan Sandelman will serve as the Chairman of CSAC. The Chairman's role will be to coordinate the management, development and effective functioning of the Resulting Issuer Board and provide leadership. The Chairman and each committee can also engage outside consultants without consulting management. This is designed to ensure they receive independent advice as they feel necessary.

Meeting In-camera

The Resulting Issuer Board and committees are expected to hold regularly scheduled meetings without management and non-independent directors. These discussions are intended to generally form part of the committee chairs' reports to the Resulting Issuer Board. CSAC's Chairman intends to encourage open and candid discussions among the independent directors by providing them with an opportunity to express their views on key topics before decisions are taken.

Succession Planning

The C&CG Committee (with the advice of CSAC's Chairman) is expected to provide primary oversight of succession planning for senior management, the performance assessment of CSAC's CEO, and CSAC CEO's assessments of the other senior officers. The C&CG Committee is expected to conduct in-depth reviews of succession options relating to senior management positions and, when appropriate, is expected to approve the rotation of senior executives into new roles to broaden their responsibilities and experiences and deepen the pool of internal candidates for senior management positions. The C&CG Committee is expected to develop an emergency succession plan and contingency plan for CSAC's CEO for a scenario in which the CEO suddenly and unexpectedly was unable to perform his duties for an extended period.

The independent directors are expected to participate in the assessment of the performance of CSAC's CEO every year. The Resulting Issuer Board is expected to approve all appointments of executive officers.

Director Term Limits/Mandatory Retirement

The Resulting Issuer Board will consider the matters of term limits and mandatory retirement. At this time, CSAC does not expect that these types of policies would be appropriate for the Resulting Issuer Board. CSAC believes that a rigorous self-evaluation process combined with input, where appropriate, from an external third party governance firm would be a more effective and transparent manner to ensure that CSAC's directors add value and remain strong contributors.

Diversity

Board of Directors

CSAC recognizes the benefits that diversity brings to the company. The Resulting Issuer Board will aim to be comprised of directors who have a range of perspectives, insights and views in relation to the issues affecting CSAC. This belief in diversity is expected to be reflected in a written Diversity Policy that is expected to be adopted by the Resulting Issuer Board. The Diversity Policy is expected to state that the Resulting Issuer Board should include individuals from diverse backgrounds, having regard to, among other things, gender, status, age, business experience, professional expertise, education, nationality, race, culture, language, personal skills and geographic background. Accordingly, consideration of whether the diverse attributes highlighted in the policy are sufficiently represented on the Resulting Issuer Board will be an important component of the selection process for new Resulting Issuer Board members.

Management

CSAC believes that a diversity of backgrounds, opinions and perspectives and a culture of inclusion helps to create a healthy and dynamic workplace, which improves overall business performance. CSAC recognizes the value of ensuring that CSAC has leaders who are women. CSAC will work to develop its employees internally and provide them with opportunities to advance their careers. CSAC will build a strategy and execution plan to work towards increasing the representation of women in leadership roles at all levels of the organization. One of the objectives of this initiative will be to ensure that there are highly-qualified women within CSAC available to fill vacancies in executive officer and other leadership positions. In appointing individuals to its leadership team, both at the corporate level and business vertical level, CSAC will weigh a number of factors, including the skills and experience required for the position and the personal attributes of the candidates.

Female Representation

While none of the currently proposed directors of CSAC are female, CSAC recognizes the value of the contribution of members with diverse attributes on the Resulting Issuer Board and will be committed to ensuring that there is representation of women on the Resulting Issuer Board in the future. However, CSAC does not intend to establish a target regarding the number of women on the Resulting Issuer Board. CSAC believes a target would not be the most effective way of ensuring the Resulting Issuer Board is comprised of individuals with diverse attributes and backgrounds. CSAC will, however, evaluate the appropriateness of adopting targets in the future.

One of the proposed executive officers of CSAC is female. CSAC does not intend to establish a target regarding the number of women in executive officer or senior leadership positions. CSAC believes that the most effective way to achieve its goal of increasing the representation of women in leadership roles at all levels of the organization is to identify high-potential women within CSAC and work with them to ensure they develop the skills, acquire the experience and have the opportunities necessary to become effective leaders. CSAC will, however, evaluate the appropriateness of adopting targets in the future.

Orientation and Continuing Education

As set out in the proposed Resulting Issuer Board Mandate, CSAC will have a policy of making a full initial orientation and continuing education process available to Board members. All new directors are expected to be provided with an initial orientation regarding the nature and operation of CSAC's business and the affairs of CSAC and as to the role of the Resulting Issuer Board and its committees, as well as the legal obligations of a director of CSAC. Existing directors will also be periodically updated on these matters.

In order to orient new directors as to the nature and operation of CSAC's business, they will be given the opportunity to meet with key members of the management team to discuss CSAC's business and activities. In addition, new directors will receive copies of Board materials, corporate policies and procedures, and other information regarding the business and operations of CSAC.

Resulting Issuer Board members will be expected to keep themselves current with industry trends and developments and will be encouraged to communicate with management and, where applicable, auditors, advisors and other

consultants of CSAC. Board members will have access to CSAC's in-house and external legal counsel in the event of any questions or matters relating to Resulting Issuer Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Resulting Issuer Board members have full access to CSAC's records.

CSAC expects to provide on-going continuous education programs through key business area presentations, business updates and operations site visits as appropriate.

Nomination of Directors

The C&CG Committee's role will be to recommend to the Resulting Issuer Board candidates for election as directors and candidates for appointment to Resulting Issuer Board committees as set out in the C&CG Committee Mandate. CSAC's Chairman is also expected to consult with the C&CG Committee regarding candidates for nomination or appointment to the Resulting Issuer Board.

Board and Committee Assessment

The C&CG Committee's role is expected to be to assess the effectiveness of the Resulting Issuer Board as a whole, the committees of the Resulting Issuer Board and the contribution of individual directors.

Audit Committee

The Audit Committee is expected to be comprised of three directors of CSAC, Kamaldeep Thindal, Charles Miles and a third member to be appointed prior to or as at the closing of the Transaction, all of whom are expected to be independent and financially literate for purposes of NI 52-110. The role and operation of the Audit Committee are set out in CSAC's proposed Audit Committee Mandate, the text of which is included as Appendix S to this prospectus. See "*Audit Committee*" above in this prospectus for further information.

The members of the Audit Committee will be appointed annually by the Resulting Issuer Board, and each member of the Audit Committee will serve at the pleasure of the Resulting Issuer Board until the member resigns, is removed, or ceases to be a member of the Resulting Issuer Board.

C&CG Committee

It is expected that CSAC will establish a C&CG Committee following completion of the Transaction. It is expected that the C&CG Committee will conduct its business on the basis of majority approval, which encourages an objective process for determining compensation.

The members of the C&CG Committee are anticipated to be appointed annually by the Resulting Issuer Board, and it is expected that each member of the C&CG Committee will serve at the pleasure of the Resulting Issuer Board until the member resigns, is removed, or ceases to be a member of the Resulting Issuer Board.

To fulfil its role in developing CSAC's approach to compensation issues, it is anticipated that the C&CG Committee shall:

- (i) review and approve corporate goals and objectives relevant to the compensation of CSAC's CEO;
- (ii) evaluate the performance of CSAC's CEO in light of those corporate goals and objectives, and make recommendations to the Resulting Issuer Board with respect to the compensation level of CSAC's CEO based on its evaluation;
- (iii) review the recommendations to the C&CG Committee of CSAC's CEO respecting the appointment, compensation and other terms of employment of CSAC's CFO, all senior management reporting directly to CSAC's CEO and all other officers appointed by the Resulting Issuer Board and, if advisable, approve and recommend for board approval, with or without modifications, any such appointment, compensation and other terms of employment;

- (iv) administer and interpret CSAC's share compensation agreements and its policies respecting the grant of options or other share-based compensation or the sale of shares thereunder, and review and recommend for approval of the Resulting Issuer Board the grant of options thereunder and the terms thereof;
- (v) review CSAC's pension and retirement Transactions in light of the overall compensation policies and objectives of CSAC;
- (vi) review employment agreements between CSAC and CSAC's CEO, and between CSAC and executive officers, and amendments to the terms of such agreements shall be subject to review and recommendation by the C&CG Committee and approval by the Resulting Issuer Board;
- (vii) review management's policies and practices respecting CSAC's compliance with applicable legal prohibitions, disclosure requirements or other requirements on making or arranging for personal loans to senior officers or directors or amending or extending any such existing personal loans or Transactions;
- (viii) recommend to the Resulting Issuer Board for its approval the terms upon which directors shall be compensated, including the Chairman (if applicable) and those acting as committee chairs and committee members;
- (ix) review on a periodic basis the terms of and experience with CSAC's executive compensation programs for the purpose of determining if they are properly coordinated and achieving the purpose for which they were designed and administered;
- (x) review executive compensation disclosure before CSAC publicly discloses this information;
- (xi) submit a report to the Resulting Issuer Board on human resources matters at least annually; and
- (xii) prepare an annual report for inclusion in CSAC's Management Information Circular to Resulting Issuer Shareholders respecting the process undertaken by the committee in its review of compensation issues and prepare a recommendation in respect of the compensation of CSAC's CEO.

It is expected that the C&CG Committee's role with respect to corporate governance is expected to include, among other things:

- (i) developing and updating a long-term plan for the composition of the Resulting Issuer Board that takes into consideration the current strengths, competencies, skills and experience of the Resulting Issuer Board members, retirement dates and the strategic direction of CSAC, and reporting to the Resulting Issuer Board thereon at least annually;
- (ii) undertaking on an annual basis an examination of the size of the Resulting Issuer Board, with a view to determining the impact of the number of directors, the effectiveness of the Resulting Issuer Board, and recommending to the Resulting Issuer Board, if necessary, a reduction or increase in the size of the Resulting Issuer Board;
- (iii) endeavouring, in consultation with CSAC's Chairman (or Lead Director, if applicable), to seek to ensure that an appropriate system is in place to evaluate the effectiveness of the Resulting Issuer Board as a whole, each of the committees of the Resulting Issuer Board and each individual director of the Resulting Issuer Board with a view to ensuring that they are fulfilling their respective responsibilities and duties;
- (iv) in consultation with CSAC's Chairman (or Lead Director, if applicable), and CSAC's CEO, annually or as required, recruiting and identifying individuals qualified to become new board members and recommending to the Resulting Issuer Board new director nominees for the next annual meeting of Resulting Issuer Shareholders;

- (v) in consultation with CSAC's Chairman (or Lead Director, if applicable), annually or as required, recommending to the Resulting Issuer Board, the individual directors to serve on the various committees;
- (vi) conducting a periodic review of CSAC's corporate governance policies and making policy recommendations aimed at enhancing board and committee effectiveness;
- (vii) reviewing overall governance principles, monitoring disclosure and best practices of comparable and leading companies, and bringing forward to the Resulting Issuer Board a list of corporate governance issues for review, discussion or action by the Resulting Issuer Board or its committees;
- (viii) reviewing the disclosure in CSAC's public disclosure documents relating to corporate governance practices and preparing recommendations to the Resulting Issuer Board regarding any other reports required or recommended on corporate governance;
- (ix) proposing agenda items and content for submission to the Resulting Issuer Board related to corporate governance issues and providing periodic updates on recent developments in corporate governance to the Resulting Issuer Board;
- (x) conducting a periodic review of the relationship between management and the Resulting Issuer Board, particularly in connection with a view to ensuring effective communication and the provision of information to directors in a timely manner;
- (xi) reviewing annually the Resulting Issuer Board Mandate and the mandates for each committee of the Resulting Issuer Board, together with the position descriptions, if any, of each of CSAC's Chairman, CEO, director and committee chairs, and where necessary, recommending changes to the Resulting Issuer Board;
- (xii) reviewing and recommending the appropriate structure, size, composition, mandate and members for the committees, and recommending for board approval the appointment of each to board committees;
- (xiii) recommending procedures to seek to ensure that the Resulting Issuer Board and each of its committees function independently of management;
- (xiv) monitoring conflicts of interest (real or perceived) of both the Resulting Issuer Board and management in accordance with the Code, and other policies on conflicts of interest and ethics; and
- (xv) recommending procedures to permit the Resulting Issuer Board to meet on a regular basis without management or non-independent directors.

The C&CG Committee is expected to make recommendations for candidates to the Resulting Issuer Board and candidates for appointment to various committees of the Resulting Issuer Board, and in making such recommendations is expected to consider the competencies and skills that the Resulting Issuer Board considers to be necessary for the Resulting Issuer Board as a whole to possess, the competencies and skills that the Resulting Issuer Board considers each existing director to possess, and the competencies and skills each new nominee will bring to the CSAC boardroom. It is expected that the responsibility for approving new nominees to Resulting Issuer Board will fall to the full Resulting Issuer Board. It is also expected that the C&CG Committee will be able to make, where appropriate, recommendations for the removal of a director from the Resulting Issuer Board or from a committee of the Resulting Issuer Board if he or she is no longer qualified to serve as a director under applicable requirements or for any other reason it considers appropriate.

Key Governance Documents

Following completion of the Transaction, it is expected that many policies and practices will support the corporate framework at CSAC. The following documents will constitute key components of CSAC's corporate governance system and are expected to be made available by CSAC subsequent to completion of the Transaction:

- Audit Committee Mandate
- C&CG Committee Mandate
- Majority Voting Policy for Director Elections
- Disclosure and Insider Trading Policy

REGULATORY APPROVALS

It is a condition precedent in favour of each of CSAC and the sellers under each Definitive Agreement to the completion of the Transaction that (i) the NEO Exchange shall have approved the Transaction as qualifying as CSAC's "qualifying transaction" within the meaning of the NEO Exchange Listing Manual, and (ii) clearance is received from the applicable Canadian securities regulators, including the OSC, for this prospectus.

The following U.S. State and local approvals may also be required in connection with completion of the Transaction:

- In Massachusetts:
 - MA Cannabis Control Commission
- In Nevada:
 - State Agencies:
 - Nevada Department of Taxation
 - County Agencies:
 - Washoe County
 - Washoe County Air Quality Management Division
 - Washoe County Health District
 - Local Agencies:
 - City of Reno
 - City of Sparks
 - City of Las Vegas
 - City of Henderson

RISK FACTORS

The following are certain factors relating to the business of CSAC. These risks and uncertainties are not the only ones facing CSAC. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. Additional risks and uncertainties not presently known to CSAC or currently deemed immaterial by CSAC may also impair the operations of CSAC. If any such risks actually occur, shareholders of CSAC could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of CSAC could be materially adversely affected and the ability of CSAC to implement its growth plans could be adversely affected.

The acquisition of any of the securities of CSAC is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of CSAC should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. CSAC's shareholders should evaluate carefully the following risk factors associated with CSAC's securities, along with the risk factors described elsewhere in this prospectus.

Risks Related to Legality of Cannabis

While legal under applicable U.S. State law, CSAC's business activities are illegal under U.S. federal law.

Investors are cautioned that in the United States, cannabis is largely regulated at the State level. To CSAC's knowledge, some form of cannabis has been legalized in 32 States, the District of Columbia, Guam and Puerto Rico as of October 2018. Additional States have pending legislation regarding the same. Although each State in which CSAC will operate authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the Substances Act. The concepts of "medical cannabis", "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. Marijuana is a Schedule I drug under the Substances Act. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. Although CSAC believes that the business activities of the Target Businesses are, and the business of CSAC will be, compliant with applicable U.S. State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve the Target Businesses or CSAC, as applicable, of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Target Businesses or CSAC. Any such proceedings brought against the Target Businesses or CSAC may result in a material adverse effect on CSAC.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, CSAC may be deemed to be aiding and abetting illegal activities. The Target Businesses manufacture and/or distribute medical and adult-use cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against CSAC or the Target Businesses, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the DOJ, under the current administration, could allege that CSAC has "aided and abetted" violations of federal law by providing financing and services to the Target Businesses. Under these circumstances, the federal prosecutor could seek to seize the assets of CSAC, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, CSAC's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on CSAC.

U.S. Customs and Border Protection ("**CBP**") enforces the laws of the United States. Crossing the border while in violation of the Substances Act and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in CSAC, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission.

The Target Businesses derive 100% of their revenues from the cannabis industry in certain States, which industry is illegal under U.S. federal law. While the Target Businesses' business activities are believed to be compliant with applicable State and local law, such activities remain illegal under U.S. federal law. The enforcement of relevant laws is a significant risk.

Medical cannabis has been and is currently protected against enforcement by enacted legislation from the United States Congress in the form of the Rohrabacher-Blumenauer Amendment, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the State-level, subject to the United States Congress restoring such funding. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018

appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment has remained in effect by virtue of a continuing resolution under which the entire 2018 budget is currently operating. The current continuing resolution is effective through December 7, 2018, at which time the United States Congress must either pass an omnibus appropriations bill for fiscal year 2019 or pass another continuing resolution of the 2018 budget, or it will face a shutdown of the federal government, at which time the Leahy Amendment would no longer be in effect. The Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes. Should the Leahy Amendment expire and not be renewed, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon CSAC or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on CSAC, even if such proceedings were concluded successfully in favour of CSAC.

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

The City of Henderson, Nevada, currently prohibits public company ownership of cannabis businesses.

CSAC may not be able to acquire LivFree’s City of Henderson operations or any interest therein. Pursuant to HMC 4.116.030(B) and 4.118.030(B), certain persons are declared unqualified to hold a marijuana establishment license in the City of Henderson, including any publicly-traded company. The prohibition against issuance of a marijuana establishment business license is not limited to the direct licensee but extends to owners of such licensees including parent-companies. Under the HMC as currently written, a publicly-traded company would be denied issuance of a marijuana establishment business license in the City of Henderson. As a result of the failure of a proposed licensee to obtain a local jurisdiction business license, the State enforcement agency (the Nevada Department of Taxation) may revoke the State-issued operating certificate / license of the marijuana establishment. Accordingly, unless the restrictions under the HMC are changed, CSAC will not be able to acquire LivFree’s City of Henderson operations or any interest therein. See “*Corporate Structure – Definitive Agreements – Representations and Warranties – LivFree Agreement*”.

If other U.S cities, counties or localities have adopted or adopt similar legislation, this could limit CSAC’s ability to expand.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several States have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is

less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively and, on January 4, 2018, former Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the USAM and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

As discussed above, should the Rohrabacher-Leahy Amendment not be renewed, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law.

Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. While dozens of U.S. attorneys from across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurances that such views are universally held or will continue in the near future. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act, stating that the Sessions Memorandum and the rescission of the Cole Memorandum “returns trust and local control to federal prosecutors” to enforce the Controlled Substances Act. These and other so called “enforcement hawks” in California or elsewhere may choose to enforce the Controlled Substances Act in accordance with federal policies prior to the issuance of the Cole Memorandum. As such, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with State law. Contrastingly, Andrew Lelling, the U.S. Attorney for the District of Massachusetts, issued a statement explaining that while marijuana is illegal under federal law, his “office’s resources [...] are primarily focused on the opioid epidemic.”²⁷ In this statement, U.S. Attorney Lelling also clarified that his marijuana enforcement efforts will be focused on overproduction, targeted sales to minors, and organized crime and interstate transportation of drug proceeds.

Such potential proceedings could involve significant restrictions being imposed upon CSAC or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on CSAC, as well as CSAC’s reputation, even if such proceedings were concluded successfully in favour of CSAC. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of CSAC or the seizure of corporate assets; however as of the date hereof, CSAC believes that proceedings of this nature are remote.

There is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. CSAC regularly monitors the activities of the current administration in this regard.

²⁷ Statement by U.S. Attorney Andrew Lelling Regarding the Legalization of Recreational Marijuana in Massachusetts (July 10, 2018). Available at <https://www.justice.gov/usao-ma/pr/statement-us-attorney-andrew-elling-regarding-legalization-recreational-marijuana>.

CSAC may be subject to restricted access to banking services in the United States and Canada.

In February 2014, FinCEN issued guidance through the FinCEN Memorandum (which is not law) with respect to financial institutions providing banking services to cannabis businesses. This guidance includes burdensome due diligence expectations and reporting requirements, and does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, many banks and other financial institutions in the United States choose not to provide banking services to cannabis-related businesses or rely on this guidance, which can be amended or revoked at any time by the Trump administration. In addition to the foregoing, banks may refuse to process debit card payments, and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, CSAC may have limited or no access to banking or other financial services in the United States. The inability, or limitation of CSAC's ability, to open and maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for CSAC to operate and conduct its business as planned or to operate efficiently. CSAC does not consider this to be a risk at the current time in Nevada.

Additionally, Canadian banks may potentially refuse to provide banking services to companies engaged in U.S. cannabis activities while it is illegal under U.S. federal law.

There are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Target Businesses'. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to CSAC when needed or on terms which are acceptable to CSAC. CSAC's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

The differing regulatory requirements across State jurisdictions may hinder or otherwise prevent CSAC from achieving economies of scale.

Traditional rules of investing may prove to be imperfect in the cannabis industry. For example, while it would be common for investment managers to purchase equity in companies in different States to reach economies of scale and to conduct business across State lines, such an investment thesis may not be feasible in the cannabis industry because of varying State-by-State legislation. Applicable regulations in many States may require advance disclosure of and approval of State regulators to accomplish an investment. As no two regulated markets in the cannabis industry are exactly the same, doing business across State lines may not be possible or commercially practicable. As a result, CSAC may be limited to identifying opportunities in individual States, which may have the effect of slowing the growth prospects of CSAC.

Risk of legal, regulatory or other political change.

The success of the business strategy of CSAC depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To CSAC's knowledge, some form of cannabis has been legalized in 32 States, the District of Columbia, Guam and Puerto Rico as of October 2018; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting CSAC's business, results of operations, financial condition or prospects.

Delays in enactment of new State or federal regulations could restrict the ability of CSAC to reach strategic growth targets. The growth strategy of CSAC is contingent upon certain federal and State regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of CSAC could be negatively impacted, and thus, the effect on the return of investor capital, could be detrimental.

CSAC is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that State laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of State laws within their respective jurisdictions, including prohibiting ownership of cannabis businesses by public companies. If the federal government begins to enforce federal laws relating to cannabis in States where the sale and use of cannabis is currently legal, or if existing applicable State laws are repealed or curtailed, CSAC's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect CSAC's continued operations. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable marijuana legislation could adversely affect CSAC and its business, results of operations, financial condition and prospects.

CSAC is also aware that multiple States are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other States are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon CSAC's business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the State and federal level. For instance, in Massachusetts, the State's Department of Public Health is statutorily required to transfer the medical cannabis program, which it has been regulating since 2013, to the Cannabis Control Commission (the current regulator of the State's adult-use cannabis program) prior to the end of 2018. The inability of CSAC to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The cannabis industry is a new industry that may not succeed.

Should the U.S. federal government change course and decide to prosecute those dealing in medical or adult-use cannabis under applicable law, there may not be any market for CSAC's products and services. It is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit CSAC to succeed. CSAC is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

CSAC's operations in the U.S. cannabis market may become the subject of heightened scrutiny.

For the reasons set forth above, CSAC's existing operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, CSAC may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on CSAC's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with cannabis in the U.S., CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the U.S. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with the NEO Exchange, the Canadian Stock Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Resulting Issuer Shares to make and settle trades. In particular, Resulting Issuer Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of Resulting Issuer Shares through the facilities of a stock exchange.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. CSAC views the Staff Notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as CSAC's ability to pursue further investment and opportunities in CSAC.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical and/or adult-use cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new State jurisdictions into which CSAC could expand. Any inability to fully implement CSAC's expansion strategy may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

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

CSAC's business activities rely on newly established and/or developing laws and regulations in the various States in which CSAC operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect CSAC's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration ("FDA"), Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, State or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical and/or adult-use purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding CSAC's industry may adversely affect the business and operations of CSAC, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of CSAC or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in CSAC.

CSAC's investments in the U.S. are subject to applicable anti-money laundering laws and regulations.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under U.S. federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the Substances Act. As a result, a majority of the United States' banks and financial institutions have refused to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. Others have agreed to accept deposits from medical cannabis sales, but not recreational cannabis sales. The inability to open bank accounts with certain institutions could materially and adversely affect the business of CSAC. See "*Cannabis Market Overview – Legal and Regulatory Matters – United States Federal Overview*" and "*Risk Factors – CSAC may be subject to restricted access to banking in the United States and Canada*".

In February 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses.

The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors in the 2014 Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Substances Act. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

In the event that any of CSAC's or the Target Businesses' operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of CSAC to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while CSAC has no current intention to declare or pay dividends on the Resulting Issuer Shares in the foreseeable future, in the event that a determination was made that CSAC's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, CSAC may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

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

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the requirement for FDA approval if medical claims are made for CSAC's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the Drug Enforcement Administration ("DEA"). In that case, CSAC may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of CSAC's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on CSAC's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

The availability of favourable locations may be severely restricted.

In Massachusetts and other States, the local municipality has authority to choose where any cannabis establishment will be located. These authorized areas are frequently removed from other retail operations.

Because the cannabis industry remains illegal under U.S. federal law, the disadvantaged tax status of businesses deriving their income from cannabis, and the reluctance of the banking industry to support cannabis businesses, it may be difficult for CSAC to locate and obtain the rights to operate at various preferred locations. Property owners may violate their mortgages by leasing to CSAC, and those property owners that are willing to allow use of their facilities may require payment of above fair market value rents to reflect the scarcity of such locations and the risks and costs of providing such facilities.

Business Structure Risks

Unpredictability caused by CSAC's capital structure.

Although other Canadian-based companies have dual class or multiple voting share structures, given the concentration of voting control that may be held indirectly by the CSAC Founders if the Multiple Voting Share proposal is effected, CSAC is not able to predict whether this control would result in a lower trading price for or greater fluctuations in the trading price of the Subordinate Voting Shares or would result in adverse publicity to CSAC or other adverse consequences.

The dual-class structure that may be contained in the articles of CSAC would have the effect of concentrating voting control and the ability to influence corporate matters with the CSAC Founders.

If the Multiple Voting Share proposal is effected, the Multiple Voting Shares are expected to have 25 votes per share, whereas the Subordinate Voting Shares are expected to have one vote per share. Following the Transaction until the expiry of the five-year sunset period, holders of Multiple Voting Shares (being the Founders) would together hold approximately 87.27% of the voting power of the outstanding voting shares of CSAC and would therefore have significant influence over the management and affairs of CSAC and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, because of the 25-to-1 voting ratio between the Multiple Voting Shares and Subordinate Voting Shares, the holders of Multiple Voting Shares would control a majority of the combined voting power of CSAC's voting shares even though the Multiple Voting Shares will represent a substantially reduced percentage of the total outstanding shares of CSAC. The concentrated voting control of the holders of Multiple Voting Shares would limit the ability of the holders of Subordinate Voting Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to CSAC's decisions to amend its share capital, create and issue additional classes of shares, make significant acquisitions, sell significant assets or parts of its business, merge with other companies and/or undertake other significant transactions. As a result, holders of Multiple Voting Shares would have the ability to influence or control many matters affecting CSAC and actions may be taken that the holders of Subordinate Voting Shares may not view as beneficial. The market price of the Subordinate Voting Shares could be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant voting interest of the holders of Multiple Voting Shares could discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Subordinate Voting Shares, might otherwise receive a premium for the Subordinate Voting Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares. See "*Description of the Securities – Multiple Voting Share Proposal*".

General Regulatory and Legal Risks

CSAC may be subject to the risk of civil asset forfeiture.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

CSAC may lack access to U.S. bankruptcy protections.

Because the use of cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If CSAC or the Target Businesses were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to CSAC's U.S. operations, which could have a material adverse effect on CSAC.

CSAC may be subject to the risk of an inability to enforce its contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges in multiple States have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of State law. There remains doubt and uncertainty that CSAC will be able to legally enforce contracts it enters into if necessary. CSAC cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on CSAC.

CSAC may be subject to the risk of changes in Canadian laws or regulations, or a failure to comply with any such laws and regulations.

CSAC is subject to laws and regulations enacted by the federal and provincial governments of Canada. In particular, CSAC will be required to comply with certain Canadian securities law, income tax law and the NEO Exchange and other legal and regulatory requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on CSAC's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC is subject to general regulatory and licensing risks.

The Target Businesses are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of CSAC's business objectives are contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of CSAC may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

The Target Businesses are required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, public hearings and costly undertakings on the Target Businesses' part. The duration and success of the Target Businesses' efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Target Businesses may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Target Businesses. To the extent necessary, permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Target Businesses may be curtailed or prohibited from proceeding with ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Several of the licenses held by the Target Businesses are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations. For example, Massachusetts' medical and adult-use cannabis programs each require annual renewal of registrations. These renewals are contingent upon the registration holder's past and continued ability to meet the statutory and regulatory requirements of the given program.

While CSAC believes that the Target Businesses' compliance controls have been developed to mitigate the risk of any material violations of any licenses they hold arising, there is no assurance that the Target Businesses' licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Target Businesses could impede the ongoing or planned operations of the Target Businesses and have a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC or the Target Businesses may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm CSAC's or the Target Businesses' reputation, require CSAC or the Target Businesses to take, or refrain from taking, actions that could harm its operations or require CSAC or the Target Businesses to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on CSAC's business, financial condition, results of operations or prospects.

Limitations on ownership of licenses.

In certain States, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person may have an ownership interest, or control over, more than three medical licenses or three adult-use licenses in any category – for example, cultivation, product manufacturing, transport or retail. CSAC believes that, where such restrictions apply, it may still capture significant share of revenue in the market through the provision of management or support services and similar arrangements with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain States may limit CSAC’s ability to grow organically or to increase its market share in such States.

Regulatory action and approvals from the Food and Drug Administration .

The Target Businesses’ cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Target Businesses’ cannabis-based products are not approved by the FDA as “drugs” or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Food, Drug and Cosmetic Act (“**FDCA**”).

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Target Businesses could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Target Businesses’ production or distribution of its products. Any such event could have a material adverse effect on CSAC’s business, prospects, financial condition, and operating results.

Risks related to the Qualifying Transaction.

As part of the Transaction, it is contemplated that CSAC will complete the acquisition of the Target Businesses subject to various closing conditions in respect of each of the acquisitions pursuant to the Transaction. However, CSAC has no control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that all of such acquisitions will be consummated. CSAC may proceed to complete less than all of such acquisitions. There is no assurance that all or any of the acquisitions of the Target Businesses will be completed or, if completed, will be on terms that are exactly the same as disclosed in this prospectus.

If any or all of the acquisitions of the Target Businesses do not take place as contemplated, CSAC expects to use the funds intended for such transactions to fund future acquisitions and for general corporate purposes. If less than all of such acquisitions are completed, CSAC may not realize the benefits described in this prospectus and could suffer adverse consequences, including loss of investor confidence. The price of the Resulting Issuer Shares may decline to the extent that the relevant current market price reflects a market assumption that such acquisitions will be consummated and certain costs related to the acquisitions pursuant to the Transaction such as legal, accounting and consulting fees, must be paid even if all acquisitions pursuant to the Transaction are not completed. CSAC may be unable to identify other investments offering financial returns comparable to those pursuant to the acquisition of the Target Businesses.

Business Risks Related to the Cannabis Industry

Scientific research related to the benefits of marijuana remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in early stages. To CSAC’s knowledge, there have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids. Any statements made in this prospectus concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made in this prospectus are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although CSAC believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective and current Resulting Issuer Shareholders should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Competition in the cannabis industry is intense and increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of CSAC.

CSAC expects to face intense competition in the cannabis industry, some of which can be expected to come from companies with longer operating histories and more financial resources, manufacturing and marketing experience than CSAC. In addition, there is potential that the cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and products that will be greater than those of CSAC. As a result of this competition, CSAC may be unable to maintain its operations or develop them as currently proposed on terms it considers to be acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Negative publicity or consumer perception may affect the success of CSAC's business.

The success of the cannabis industry may be significantly influenced by the public's perception of marijuana. Both the medical and adult-use of marijuana are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to marijuana will be favourable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult-use marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of marijuana, whether in Canada, the U.S. or elsewhere, may have a material adverse effect on CSAC's operational results, consumer base and financial results.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of CSAC.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult-use and medical marijuana with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. Among other things, a negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new State jurisdictions into which CSAC could expand. Any inability to fully implement CSAC's expansion strategy may have a material adverse effect on CSAC's business, results of operations or prospects.

Results of future clinical research may negatively impact the cannabis industry.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC)

and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of CSAC's securities should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for CSAC's products with the potential to lead to a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

The cannabis industry is difficult to forecast.

CSAC must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of CSAC.

Reliable data on the medical and adult-use cannabis industry is not available.

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and State laws prevent widespread participation and hinder market research. Therefore, market research and projections by CSAC of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of CSAC's management team as of the date of this Prospectus.

CSAC may be subject to the risk of constraints on marketing products.

The development of CSAC's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If CSAC is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, CSAC's sales and results of operations or prospects could be adversely affected.

Risks Related to CSAC's Business

CSAC and each of the Target Businesses have a limited operating history.

As a high-growth enterprise, CSAC (and each of the Target Businesses) does not have a history of profitability. As such CSAC has no immediate prospect of generating profit from its intended operations. CSAC is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that CSAC will be successful in achieving a return on its shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

CSAC will be reliant on its management team.

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

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. CSAC employees traveling from Canada to the U.S. for the benefit of CSAC may encounter enhanced scrutiny by U.S. immigration authorities

that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to CSAC employees, then this may reduce our ability to manage effectively our business in the U.S.

Certain of CSAC's officers and directors may now be, and all of them may in the future become, affiliated with entities engaged in business activities similar to those intended to be conducted by CSAC and, accordingly, may have conflicts of interest in allocating their time and determining to which entity a particular business opportunity should be presented.

CSAC's officers and directors also may become aware of business opportunities which may be appropriate for presentation to CSAC and the other entities to which they owe duties. In the course of their other business activities, CSAC's officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in our favour, as CSAC's officers and directors are not required to present investment and business opportunities to CSAC in priority to other entities with which they are affiliated or to which they owe duties, and such conflicts may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC's officers, directors, security holders and their respective affiliates and associates may have interests that conflict with CSAC's interests.

CSAC has not adopted a policy that expressly prohibits its directors, officers, security holders, affiliates or associates from having a direct or indirect financial interest in any investment to be acquired or disposed of by us or in any transaction to which CSAC is a party or has an interest. Such persons or entities may have a conflict between their interests and ours, which may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC may be subject to the risk of competition from synthetic production and technological advances.

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal marijuana, through the development and distribution of synthetic products which emulate the effects and treatment of organic marijuana. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of CSAC to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future that may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC may be subject to the risks associated with fraudulent or illegal activity by its employees, contractors and consultants.

CSAC is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to CSAC that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for CSAC to identify and deter misconduct by its employees and other third parties, and the precautions taken by CSAC to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting CSAC from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against CSAC, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on CSAC's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of CSAC's operations, any of which could have a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC may be subject to the risk associated with the contractual right of action.

The contractual right of action to be provided to the original purchasers of each of the CSAC Class A Restricted Voting Shares, CSAC Warrants and CSAC Rights pursuant to the Transaction could expose CSAC to one or more actions for rescission or damages, and costs, following the Transaction if this prospectus contains or is alleged to have contained a misrepresentation. In addition, as CSAC will indemnify the other parties granting such rights, it could suffer additional expenses. CSAC may seek to mitigate its exposure through insurance. These contractual rights may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects. See "*Contractual Right of Action*".

Certain events or developments in the cannabis industry more generally may impact CSAC's reputation.

Damage to CSAC's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of CSAC. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to CSAC and its activities, whether true or not, and the cannabis industry in general, whether true or not. CSAC does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to CSAC's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Third parties with whom CSAC may do business may perceive themselves as being exposed to reputational risk as a result of their relationship with CSAC.

The parties with which CSAC may do business may perceive that they are exposed to reputational risk as a result of CSAC's cannabis-related business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of CSAC's business may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC may be subject to advertising and promotional risk in the event it cannot effectively implement a successful branding strategy.

CSAC's future growth and profitability may depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to (i) create brand recognition for any products we may develop or sell; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for CSAC's business in the future, or will generate awareness for any of CSAC's products. In addition, no assurance can be given that CSAC will be able to manage our advertising and promotional costs on a cost-effective basis.

The cannabis industry in Canada, including both the medical and adult-use cannabis markets, is in its early development stage and restrictions on advertising, marketing and branding of cannabis companies and products by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect CSAC's ability to conduct sales and marketing activities and to create brand recognition, and could potentially result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Certain of the Target Businesses are subject to product liability regimes and strict product recall requirements.

Certain of the Target Businesses are distributors of products designed to be ingested by humans. Accordingly, CSAC faces the risk of exposure to product liability claims, regulatory action and litigation if any of its businesses' products are alleged to have caused significant loss or injury. In addition, the sale of cannabis products involves the

risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. CSAC may be subject to various product liability claims, including, among others, that specific cannabis products caused injury or illness, or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against CSAC could result in increased costs, could adversely affect our reputation with CSAC's clients and consumers generally, and may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

In addition, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. To the extent any products are recalled due to an alleged product defect or for any other reason, CSAC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. CSAC may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Moreover, a recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on CSAC. Product recalls may lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

CSAC may not be able to successfully develop new products or find a market for their sale.

The cannabis industry is in its early stages of development and CSAC, and its competitors, may seek to introduce new products in the future. In attempting to keep pace with any new market developments, CSAC may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by CSAC. CSAC may also be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authorities, which may take significant amounts of time. CSAC may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC will be reliant on third-party suppliers, manufacturers and contractors.

CSAC intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the U.S., CSAC's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for CSAC's operations. Loss of these suppliers, manufacturers and contractors may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC will be reliant on key inputs.

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of CSAC. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, CSAC might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to CSAC in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of CSAC.

CSAC will be reliant on equipment and skilled labour.

The ability of CSAC to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that CSAC will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible

that the final costs of the major equipment contemplated by CSAC's capital expenditure plans may be significantly greater than anticipated by CSAC's management, and may be greater than funds available to CSAC, in which circumstance CSAC may curtail, or extend the timeframes for completing, its capital expenditure plans. This may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Service providers could suspend or withdraw service.

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third-party service providers to CSAC could suspend or withdraw their services, which may have a material adverse effect on CSAC's business, revenues, operating results, financial condition or prospects.

CSAC may be subject to the risk of litigation.

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

CSAC may be subject to risks related to the protection and enforcement of intellectual property rights, and may become subject to allegations that CSAC is in violation of intellectual property rights of third parties.

The ownership and protection of intellectual property rights may be a significant aspect of CSAC's future success. CSAC may rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. CSAC will try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as CSAC's partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event CSAC could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use CSAC's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use CSAC's future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as CSAC may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of CSAC's future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of CSAC, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of CSAC's future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly. Any or all of these events could result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

In addition, other parties may claim that CSAC's products infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, CSAC may need to obtain licenses from third parties who allege that CSAC has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to CSAC or at all. In addition, CSAC may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

CSAC may be subject to risks related to information technology systems, including cyber-attacks.

CSAC's operations may depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts,

damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. CSAC's operations may also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact CSAC's reputation and results of operations. CSAC's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access may become a priority to ensure the ongoing success and security of the business. As cyber threats continue to evolve, CSAC may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

CSAC may be subject to risks related to security breaches.

Given the nature of the Target Businesses' product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Target Businesses' facilities could expose CSAC to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing CSAC's products.

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

CSAC may be subject to risks related to high bonding and insurance coverage.

There is a risk that a greater number of State regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. CSAC is not able to quantify at this time the potential scope for such bonds or fees in the States in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of CSAC's business.

CSAC's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although CSAC maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. CSAC may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of CSAC is not generally available on acceptable terms. CSAC might also become subject to liability for pollution or other hazards which may not be insured against or which CSAC may elect not to insure against because of premium costs or other reasons. Losses from these events may cause CSAC to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

CSAC may be subject to transportation risks.

CSAC's business involves, both directly and indirectly, the production, sale and distribution of cannabis products. Due to the perishable nature of such products, CSAC depends on fast and efficient direct and third-party

transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on CSAC. Rising costs associated with the third-party transportation services which will be used by CSAC to ship its proposed products may also adversely impact the business of CSAC.

CSAC's share price may be vulnerable to rising energy costs.

CSAC's business may involve, directly or indirectly, the production of cannabis products which will consume considerable energy, making CSAC vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of CSAC and its ability to operate profitably.

CSAC may be subject to risks inherent in an agricultural business.

CSAC's business may involve, directly or indirectly, the growing of cannabis, which is an agricultural product. As such, the business may be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Even when grown indoors under climate-controlled conditions monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the production of cannabis products and on CSAC's business, financial condition, results of operations or prospects of CSAC.

Management of growth may prove to be difficult.

CSAC may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of CSAC to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of CSAC to deal with this growth may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

CSAC may be subject to the risks of leverage.

CSAC anticipates utilizing leverage in connection with CSAC's investments in the form of secured or unsecured indebtedness. Although CSAC will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If CSAC defaults on secured indebtedness, the lender may foreclose and CSAC could lose its entire investment in the security of such loan. If CSAC defaults on unsecured indebtedness, the terms of the loan may require CSAC to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because CSAC may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, CSAC could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging CSAC's investments, CSAC may borrow funds in its own name for various purposes, and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by CSAC. If investments fail to cover the cost of such borrowings, the value of the investments held by CSAC would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in CSAC could be subordinated to such leverage, which will compound any such adverse consequences.

CSAC may undertake future acquisitions or dispositions, which bear inherent risks.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of CSAC's ongoing business; (ii) distraction of management; (iii) CSAC may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increased scope and complexity of CSAC's operations; and (vi) loss or reduction of control over certain of CSAC's assets. Additionally, CSAC may issue additional Resulting Issuer Shares in connection with such transactions, which would dilute a Resulting Issuer Shareholder's holdings in CSAC or indirect holdings in CSAC.

The presence of one or more material liabilities of an acquired company that are unknown to CSAC at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of CSAC. A strategic transaction may result in a significant change in the nature of CSAC's business, operations and strategy. In addition, CSAC may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into CSAC's operations.

Risks related to the difficulty of attracting and retaining personnel.

CSAC's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect CSAC's business. If CSAC fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely affected.

Co-investment risk in terms of control over CSAC's investments.

CSAC has co-invested and may continue to co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of CSAC. Although it is CSAC's intent to retain control and other superior rights over CSAC's investments, under certain circumstances it may be possible that CSAC relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when CSAC does maintain a control position with respect to its investments, CSAC's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of CSAC, or may be in a position to take (or block) action in a manner contrary to CSAC's objectives. CSAC may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as CSAC, and such different terms may be disadvantageous to CSAC.

Reliance on Management Services Agreements with Subsidiaries and Affiliates could adversely affect prospectus and results.

Certain of CSAC's subsidiaries and other affiliates are likely to engage in the medicinal cannabis business through management services agreements entered into with State-licensed entities. Under such agreements, its subsidiaries and affiliates perform a number of services, including cultivation, growing and handling of marijuana plants, trimming, curing and packaging of dry flower, patient advisory, lab and scientific research services, consultation on regulatory issues and a variety of management functions. In exchange for providing these services, CSAC's subsidiaries and affiliates receive management fees which are a key source of revenue. Payment of such fees is dependent on the continuing validity and enforceability of the relevant management services agreements. If such agreements are found to be invalid or unenforceable, or are terminated by the counter-party, this could have a material adverse effect on the business, prospects, financial condition, and operating results.

Liabilities arising from CSAC's website accessibility.

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent CSAC sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with State law, CSAC may face legal action in other jurisdictions which are not the intended object of any of CSAC's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

CSAC will be subject to the costs of being a public company.

As a public issuer, CSAC is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which CSAC's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase CSAC's legal, accounting and financial compliance costs, make

some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, CSAC is subject to reporting and other obligations under applicable Canadian securities laws, including NI 52-109, which requires annual management assessment of the effectiveness of CSAC's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for CSAC to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations place significant demands on CSAC as well as on CSAC's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm CSAC's results of operations or cause it to fail to meet its reporting obligations. If CSAC or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in CSAC's consolidated financial statements and materially adversely affect the trading price of the Resulting Issuer Shares.

Certain remedies may be limited to CSAC.

Pursuant to its governing documents, CSAC and the shareholders of CSAC may be prevented from recovering damages for alleged errors or omissions made by the members of the Resulting Issuer Board and its officers. CSAC's governing documents may also provide that CSAC will, to the fullest extent permitted by law, indemnify members of the Resulting Issuer Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of CSAC.

CSAC may have difficulty enforcing judgments and effecting service of process on directors and officers.

The directors and officers of CSAC reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Resulting Issuer Shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Resulting Issuer Shareholders to effect service of process within Canada upon such persons.

Past performance is not indicative of future results.

The prior investment and operational performance of any of the Target Businesses is not indicative of the future operating results of CSAC. There can be no assurance that the historical operating results achieved by any of the Target Businesses or their affiliates will be achieved by CSAC, and CSAC's performance may be materially different.

Financial projections may prove materially inaccurate or incorrect.

Any Target Business or CSAC financial estimates, projections and other forward-looking information or statements included in this prospectus were prepared by CSAC without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this prospectus. Resulting Issuer Shareholders should inquire of CSAC and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, Resulting Issuer Shareholders should not rely on any projections to indicate the actual results CSAC might achieve.

CSAC may not pay dividends.

CSAC does not anticipate paying any dividends on the Resulting Issuer Shares in the foreseeable future. Dividends paid by CSAC would be subject to tax and, potentially, withholdings.

Market and Economy Risks

CSAC may be vulnerable to currency exchange fluctuations.

Due to CSAC's present operations in the United States, and its intention to continue future operations outside Canada, CSAC is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of CSAC's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on CSAC's business, financial position or results of operations or prospects.

CSAC may be subject to market price volatility risks.

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

There may be restrictions on the market for the Resulting Issuer Shares.

Notwithstanding that the Resulting Issuer Shares are listed on the NEO Exchange, various regulatory regimes in the United States forbid the transfer the Resulting Issuer Shares in quantities that exceed published thresholds without receiving advanced approval of the State regulators. Failure to obtain approval may result in CSAC's licenses in that State being revoked.

There is a limited market for the Resulting Issuer Shares.

Notwithstanding that the Resulting Issuer Shares are listed on the NEO Exchange, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained and a Resulting Issuer Shareholder may find it difficult to resell any securities of CSAC.

CSAC may be subject to the risks posed by sales by existing Resulting Issuer Shareholders.

Sales of a substantial number of Resulting Issuer Shares in the public market could occur at any time either by existing holders of Resulting Issuer Shares. These sales, or the market perception that the holders of a large number of Resulting Issuer Shares intend to sell Resulting Issuer Shares, could reduce the market price of the Resulting Issuer Shares. If this occurs and continues, it could impair CSAC's ability to raise additional capital through the sale of securities.

The Cashless Exercise feature of the CSAC Warrants could result in more volatile financial results.

The Cashless Exercise feature could result in more volatile financial results because with the Cashless Exercise feature, the CSAC Warrants are classified as a liability and are therefore recorded at fair value. Any fluctuations in the fair value of a CSAC Warrant would be reflected in income.

Global financial conditions and the future economic shocks may impair CSAC's financial condition.

Following the onset of the credit crisis in 2007-2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial

conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact CSAC's ability to obtain equity or debt financing in the future on terms favourable to CSAC. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, CSAC's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect CSAC's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

Environmental Risks

CSAC may be subject to significant environmental regulations and risks.

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

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

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

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

CSAC may be subject to unknown environmental risks.

There can be no assurance that CSAC will not encounter hazardous conditions at the facilities where it operates its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of CSAC may be suspended. The presence of other hazardous conditions may require significant expenditure of CSAC's resources to correct the condition. Such conditions could have a material impact on the investment returns of CSAC.

Tax Risks

U.S. tax residence of CSAC.

CSAC, which is and will continue to be a Canadian corporation as of the date of this prospectus, generally would be classified as a non-U.S. corporation (and, therefore, as a non-U.S. tax resident) under general rules of U.S. federal income taxation. Section 7874 of the Code, however, contains rules that can cause a non-U.S. corporation to be taxed as a U.S. corporation for U.S. federal income tax purposes. The rules described in this paragraph are relatively new, their application is complex and there is little guidance regarding their application. Under section 7874 of the Code, a corporation created or organized outside the U.S. (i.e., a non-U.S. corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes (such treatment is referred to as an “**Inversion**”) if each of the following three conditions are met (i) the non-U.S. corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a U.S. corporation, (ii) after the acquisition, the former stockholders of the acquired U.S. corporation hold at least 80% (by vote or value) of the shares of the non-U.S. corporation by reason of holding shares of the U.S. acquired corporation, and (iii) after the acquisition, the non-U.S. corporation’s expanded affiliated group does not have substantial business activities in the non-U.S. corporation’s country of organization or incorporation when compared to the expanded affiliated group’s total business activities (clauses (i) – (iii), collectively, the “**Inversion Conditions**”). For this purpose, “expanded affiliated group” means a group of corporations where (i) the non-U.S. corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an “expanded affiliated group” includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

If CSAC is treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code (which is considered likely, although no definitive determination of this matter has been reached, and no tax ruling has been sought or obtained in this regard), CSAC would be considered a U.S. tax resident and subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, CSAC is expected, regardless of any application of section 7874 of the Code, to be treated as a Canadian resident company (as defined in the Tax Act) for Canadian income tax purposes. As a result, if CSAC is considered a U.S. corporation under section 7874 of the Code, CSAC would be subject to taxation both in Canada and the U.S. which could have a material adverse effect on its financial condition and results of operations. In addition, any distributions paid by CSAC to a holder of Resulting Issuer Shares may be subject to U.S. withholding tax as well as any applicable Canadian withholding tax. A non-U.S. holder may also be subject to U.S. tax, including withholding tax, on disposition of its Resulting Issuer Shares.

It is unlikely that CSAC will pay any dividends on the CSAC Class B Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by CSAC will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of CSAC, subject to examination of the relevant treaty. These dividends may however qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of CSAC, subject to examination of the relevant treaty.

For more detailed information, see “*Certain United States Federal Income Tax Considerations*”.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

CSAC will be subject to significant tax liabilities until the IRS or Congress changes its position that most expenses of cannabis businesses are not permitted tax deductions under section 280E of the Code.

Section 280E of the Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (including cannabis) which are listed on Schedule I under the federal Substances Act. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under State laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business expenses the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. CSAC's current financial plans include federal tax payable on gross revenue net only of the cost of seeds, plants and labor related to cultivation, rather than is typical in other jurisdictions on earnings before tax.

Tax risk related to controlled substances.

Section 280E of the Code, as amended prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the Substances Act). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable State laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

United States Tax Classification of CSAC.

Although CSAC is and will continue to be a Canadian corporation, CSAC intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, CSAC is expected, regardless of any application of section 7874 of the Code, to be treated as being resident of Canada under the Tax Act. As a result, CSAC will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that CSAC will pay any dividends on the Resulting Issuer Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by CSAC will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of CSAC, subject to examination of the relevant treaty. These dividends may however qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of CSAC, subject to examination of the relevant treaty.

For more detailed information, see “*Certain United States Federal Income Tax Considerations*”.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER’S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a general summary of certain Canadian federal income tax considerations under the Tax Act generally applicable to a beneficial owner of the Resulting Issuer Shares, CSAC Warrants or CSAC Rights (collectively, the “**Securities**”) following the Transaction and who at all relevant times, for purposes of the Tax Act, deals at arm’s length with, and is not affiliated with, CSAC and who will acquire and hold such Securities as capital property (a “**Holder**”), all within the meaning of the Tax Act. A Security will generally be considered to be capital property to a Holder unless the Holder holds (or will hold) such Security in the course of carrying on a business of trading or dealing in securities or has acquired (or will acquire) them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (a) that is a “financial institution” for purposes of the “mark-to-market rules” in the Tax Act; (b) an interest in which is a “tax shelter investment” as defined in the Tax Act; (c) that is a “specified financial institution” as defined in the Tax Act; (d) that has made a “functional currency” election under the Tax Act to determine its “Canadian tax results”, as defined in the Tax Act, in a currency other than the Canadian currency; (e) who enters into, or has entered into, a “derivative forward agreement” as such term is defined in the Tax Act, with respect to a Security; or (f) who is a CSAC Founder or Mercer. Any such Holder to which this summary does not apply should consult its own tax advisor. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition or holding of Securities.

This summary does not address the possible application of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act to a Holder that (i) is a corporation resident in Canada and (ii) is or becomes (or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is or becomes), as part of a transaction or event or series of transactions or events that includes the acquisition of a Security, controlled by a non-resident corporation for purposes of such rules. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

This summary is of a general nature only, is based upon the current provisions of the Tax Act, specific proposals to amend the Tax Act (the “**Tax Proposals**”) which have been announced by or on behalf the Minister of Finance (Canada) prior to the date hereof, and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that the Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Securities and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to the acquisition, holding and disposition of Securities based on their own particular circumstances.

Residents of Canada

This portion of the summary is applicable to a Holder who, for the purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada and is not resident or deemed to be resident in any other country (a “**Resident Holder**”). A Resident Holder whose Resulting Issuer Shares might not otherwise qualify as capital property may, in certain circumstances, make the irrevocable election pursuant to subsection 39(4) of the Tax Act to deem their Resulting Issuer Shares, and every other “Canadian security”, as defined in the Tax Act, owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years, to be capital property. Such election will not apply in respect of CSAC Warrants or CSAC Rights. Such Resident Holders should consult their

own tax advisors with respect to whether an election under subsection 39(4) of the Tax Act is available and advisable having regard to their own particular circumstances.

Exercise or Expiry of CSAC Warrants and Conversion or Expiry of CSAC Rights

No gain or loss will be realized by a Resident Holder of a CSAC Warrant or CSAC Right upon the exercise of such CSAC Warrant or conversion of such CSAC Right. When a CSAC Warrant is exercised, or a CSAC Right is converted, the Resident Holder's cost of the Resulting Issuer Share acquired thereby will be equal to the adjusted cost base of the CSAC Warrant or CSAC Right, as applicable, to such Resident Holder, plus, in the case of the CSAC Warrants, the amount paid on the exercise of the CSAC Warrant. For the purpose of computing the adjusted cost base to a Resident Holder of each Resulting Issuer Share acquired on the exercise of a CSAC Warrant or the conversion of a CSAC Right, the cost of such Resulting Issuer Share must be averaged with the adjusted cost base to such Resident Holder of all other Resulting Issuer Shares (if any) held by the Resident Holder as capital property immediately prior to the exercise of such CSAC Warrant or conversion of such CSAC Right, as applicable.

Generally, the expiry of an unexercised CSAC Warrant or unconverted CSAC Right will give rise to a capital loss equal to the adjusted cost base to the Resident Holder of such expired CSAC Warrant or CSAC Right. See "*Disposition of Securities*" below.

Disposition of the Securities

A Resident Holder who disposes of or is deemed to have disposed of a Security (other than a disposition arising on the exercise of a CSAC Warrant or conversion of a CSAC Right by a Resident Holder) will generally realize a capital gain (or incur a capital loss) in the year of disposition equal to the amount by which the proceeds of disposition in respect of the Security exceed (or are exceeded by) the aggregate of the adjusted cost base of such Security and any reasonable expenses associated with the disposition. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder must be included in computing the Resident Holder's income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss incurred by a Resident Holder (an "**allowable capital loss**") may be used to offset taxable capital gains realized by the Resident Holder in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be applied to reduce net taxable gains realized by the Resident Holder in the three preceding taxation years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

The amount of any capital loss realized on the disposition of a Resulting Issuer Share by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends which have been previously received or deemed to have been received by the Resident Holder on such share. Similar rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust that owns Resulting Issuer Shares.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to pay a refundable tax on its "aggregate investment income", which is defined in the Tax Act to include capital gains on the disposition or deemed disposition of Securities.

Capital gains realized by an individual and certain trusts may result in the individual or trust paying minimum tax under the Tax Act.

A Resident Holder may be subject to United States tax on a gain realized on the disposition of a Security (see "*Certain United States Federal Income Tax Considerations – Tax Consequences to Non-U.S. Holders – Dispositions of CSAC Class B Shares or CSAC Warrants*"). United States tax, if any, levied on any gain realized on a disposition of a Security may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances described in the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Gains realized on the

disposition of a Security by a Resident Holder may not be treated as income sourced in the United States for these purposes. Resident Holders should consult their own tax advisors with respect to the availability of a foreign tax credit, having regard to their own particular circumstances.

Taxation of Dividends Received

Dividends (including deemed dividends) received on Resulting Issuer Shares by a Resident Holder who is an individual (and certain trusts) will be included in the Resident Holder's income and be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by an individual from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit for "eligible dividends" properly designated as such by CSAC.

Dividends (including deemed dividends) received on Resulting Issuer Shares by a Resident Holder that is a corporation will be included in the Resident Holder's income and will generally be deductible in computing such Resident Holder's taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition of the Resulting Issuer Share or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received on the Resulting Issuer Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. Dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act.

A Resident Holder may be subject to United States withholding tax on dividends received on the Resulting Issuer Shares (see "*Certain United States Federal Income Tax Considerations – Tax Consequences to Non-U.S. Holders – Distributions on CSAC Class B Shares*"). Any United States withholding tax paid by or on behalf of a Resident Holder in respect of dividends received on the Resulting Issuer Shares by a Resident Holder may be eligible for foreign tax credit or deduction treatment where applicable under the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Dividends received on the Resulting Issuer Shares by a Resident Holder may not be treated as income sourced in the United States for these purposes. Resident Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions under the Tax Act in respect of any United States withholding tax applicable to dividends on the Resulting Issuer Shares.

Eligibility for Investment

The Resulting Issuer Shares, the CSAC Warrants and the CSAC Rights will, on the date hereof, be qualified investments for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a deferred profit sharing plan, a registered education savings plan ("RESP"), a registered disability savings plan ("RDSP") or a tax-free savings account ("TFSA"), provided that:

- (i) in the case of the Resulting Issuer Shares, the Resulting Issuer Shares are listed on a designated stock exchange in Canada for the purposes of the Tax Act (which currently includes the NEO Exchange); and
- (ii) in the case of the CSAC Warrants and the CSAC Rights:
- (iii) the CSAC Warrants or CSAC Rights are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the NEO Exchange); or
- (iv) the shares to be issued on the exercise of the CSAC Warrants or the conversion of the CSAC Rights are qualified investments as described in (i) above, provided that CSAC is not, and deals at

arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such registered plan.

Notwithstanding the foregoing, the holder of a TFSA or an RDSP, the annuitant under an RRSP or RRIF, or the subscriber of an RESP, will be subject to a penalty tax in respect of the Resulting Issuer Shares, CSAC Warrants or CSAC Rights held in the TFSA, RRSP, RRIF, RDSP or RESP if such Securities are prohibited investments for the TFSA, RRSP, RRIF, RDSP or RESP. A Security will generally be a "prohibited investment" for a TFSA, RRSP, RRIF, RDSP or RRIF if the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF, or the subscriber of the RESP does not deal at arm's length with CSAC for the purposes of the Tax Act, or the holder, annuitant or subscriber has a "significant interest" (as defined in subsection 207.01(4) the Tax Act) in CSAC. Holders of a TFSA or RDSP, annuitants under an RRSP or RRIF, and subscribers of RESPs should consult their own tax advisors as to whether Securities will be a prohibited investment in their particular circumstances.

Non-Residents of Canada

This portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is neither resident nor deemed to be resident in Canada and does not use or hold, and will not be deemed to use or hold, Securities in a business carried on in Canada (a "**Non-Resident Holder**"). Special considerations, which are not discussed in the summary, may apply to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada and elsewhere. Such Holders should consult their own advisers.

Exercise or Expiry of CSAC Warrants and Conversion or Expiry of CSAC Rights

The tax consequences of the exercise and expiry of a CSAC Warrant and the conversion and expiry of a CSAC Right held by a Non-Resident Holder are the same as those described above under "*Residents of Canada – Exercise or Expiry of CSAC Warrants and Conversion or Expiry of CSAC Rights*".

Taxation of Dividends Received

Dividends paid or credited, or deemed to be paid or credited, on Resulting Issuer Shares to a Non-Resident Holder will be subject to non-resident withholding tax under the Tax Act at the rate of 25%, although such rate may be reduced under the terms of an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, the rate of withholding tax applicable to a dividend paid on the Resulting Issuer Shares to a Non-Resident Holder who is a resident of the U.S. for purposes of the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), who beneficially owns the dividend and who qualifies for the benefits of the Canada-U.S. Tax Convention will generally be reduced to 15% or, if the Non-Resident Holder is a corporation that owns at least 10% of the voting stock of CSAC, to 5%. Not all persons who are residents of the U.S. for purposes of the Canada-U.S. Tax Convention will qualify for the benefits of the Canada-U.S. Tax Convention. A Non-Resident Holder who is a resident of the U.S. is advised to consult its tax advisor in this regard.

A Non-Resident Holder may be subject to United States withholding tax on dividends received on the Resulting Issuer Shares (see "*Certain United States Federal Income Tax Considerations – Tax Consequences to Non-U.S. Holders – Distributions on CSAC Class B Shares*").

Disposition of Securities

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Security, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Security constitutes "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, provided the Resulting Issuer Shares are listed on a "designated stock exchange" for the purposes of the Tax Act, which currently includes the NEO Exchange, at the time of disposition, the Resulting Issuer Shares, the CSAC Warrants and the CSAC Rights, as the case may be, generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period immediately preceding the disposition the

following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm's length held a membership interest, directly or indirectly through one or more partnerships, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued Resulting Issuer Shares or any other class or series of shares of CSAC; and (ii) more than 50% of the fair market value of the Resulting Issuer Shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act), or any option in respect of, or interest in, or for civil law a right in such properties, whether or not the property exists. Notwithstanding the foregoing, a Security may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

Even if a Security is taxable Canadian property to a Non-Resident Holder, any capital gain realized upon the disposition of such Security may not be subject to tax under the Tax Act if such capital gain is exempt from Canadian tax pursuant to the provisions of an applicable income tax convention. If a Non-Resident Holder to whom Securities are taxable Canadian property is not exempt from tax under the Tax Act by virtue of an income tax convention, the consequences described under "*Residents of Canada – Taxation of Capital Gains and Capital Losses*" will generally apply.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion sets forth a summary of the principal U.S. federal income tax consequences (1) of the Transaction to: (i) U.S. Holders (as defined below) of CSAC Class A Restricted Voting Shares whose CSAC Class A Restricted Voting Shares are redeemed by CSAC, (ii) U.S. Holders of CSAC Class A Restricted Voting Shares who acquire CSAC Class B Shares pursuant to the Transaction; (iii) U.S. Holders of CSAC Warrants and CSAC Rights; and (iv) CSAC; and (2) of the ownership and disposition of the CSAC Class B Shares following the Transaction to U.S. Holders and Non-U.S. Holders (as defined below). Except as set forth below, this summary does not discuss tax reporting requirements.

This discussion is based on the provisions of the Code, final, temporary and proposed treasury regulations promulgated thereunder (the "**Treasury Regulations**") and current administrative rulings and judicial decisions, all as in effect as of the date hereof. All of these authorities may be subject to differing interpretations or repealed, revoked or modified, possibly with retroactive effect, which could materially alter the tax consequences described in this disclosure.

CSAC has not obtained, and will not obtain, a ruling from the IRS or opinion of legal counsel with respect to any U.S. federal tax consequences of the Transaction described herein. The IRS may disagree with the discussion herein, and its determination may be upheld by a court.

This summary is being provided for general information only and is not tax advice. You should consult your own tax advisors about the U.S. federal tax consequences of the Transaction and of holding and disposing of the CSAC Class B Shares, as well as any tax consequences that may arise under the laws of any non-U.S., state, local or other taxing jurisdiction or under any applicable tax treaty and applicable reporting requirements.

As used in this summary, the term "**U.S. Holder**" means a beneficial owner of the CSAC Class A Restricted Voting Shares, CSAC Warrants or CSAC Rights (or after the Transaction, of the CSAC Class B Shares, CSAC Warrants or CSAC Rights) that is for U.S. federal income tax purposes:

- (i) an individual treated as a citizen or resident of the United States;
- (ii) a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- (iii) an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or

- (iv) a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) it has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A beneficial owner of the CSAC Class A Restricted Voting Shares, CSAC Warrants or CSAC Rights (or after the Transaction, of the CSAC Class B Shares, CSAC Warrants or CSAC Rights) who is not a U.S. Holder and is not a partnership is referred to as a “**Non-U.S. Holder.**”

CSAC assumes in this discussion that the CSAC Class A Restricted Voting Shares to be automatically exchanged are, and the CSAC Class B Shares, CSAC Warrants and CSAC Rights will be, held as a capital asset within the meaning of Code Section 1221 (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their personal investment or tax circumstances or to persons that may be subject to special tax rules. For example, this summary of U.S. tax consequences does not address the tax treatment of special classes of holders, such as: (a) financial institutions or financial services entities; (b) insurance companies; (c) taxpayers who have elected mark-to-market accounting for U.S. tax purposes; (d) tax-exempt entities; (e) governments or agencies or instrumentalities thereof; (f) regulated investment companies or real estate investment trusts; (g) broker-dealers; (h) United States expatriates or former long-term residents of the United States; (i) persons subject to the alternative minimum tax; (j) partnerships or other pass-through entities; (k) persons that hold CSAC Class A Restricted Voting Shares, CSAC Warrants, CSAC Rights or CSAC Class B Shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; (l) controlled foreign corporations; (m) corporations that accumulate earnings to avoid U.S. federal income tax; (n) passive foreign investment companies; (o) holders who acquired their CSAC Class A Restricted Voting Shares pursuant to employee stock options, participation in an employee stock purchase plan or otherwise as compensation; (p) except as discussed below in connection with the Conversion (as defined below), holders that own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding Resulting Issuer Shares after the Transaction; and (q) persons whose functional currency is not the U.S. dollar.

If a partnership (including, for this purpose, any other entity either organized within or without the United States that is treated as a partnership for U.S. federal income tax purposes) holds CSAC Class A Restricted Voting Shares, CSAC Class B Shares, CSAC Warrants or CSAC Rights, the tax treatment of a partner as a beneficial owner of such shares generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership holding CSAC Class A Restricted Voting Shares, CSAC Class B Shares, CSAC Warrants or CSAC Rights, such U.S. Holder should consult its own tax advisors regarding the tax consequences of the Transaction.

Tax Treatment of the Transaction to CSAC

As a result of the Transaction, pursuant to Code Section 7874(b) and the Treasury Regulations promulgated thereunder, notwithstanding that CSAC is currently organized under the provisions of the OBCA, with an intention to continue under the provisions of the BCBCA in connection with the Transaction, solely for U.S. federal income tax purposes, it is anticipated that CSAC will be treated as converting to a U.S. domestic corporation at the end of the day immediately preceding the Effective Date under a tax-deferred reorganization under Code Section 368(a)(1)(F) (the “**Conversion**”). CSAC should not recognize any gain or loss as a result of the Conversion.

CSAC anticipates that it will experience a number of significant and complicated U.S. federal income tax consequences as a result of being treated as a U.S. domestic corporation for U.S. federal income tax purposes, and this summary does not attempt to describe all such U.S. federal income tax consequences. Code Section 7874 and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from CSAC being treated as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to CSAC that are not discussed in this summary.

Generally, CSAC will be subject to U.S. federal income tax on its worldwide taxable income (regardless of whether such income is “**U.S. source**” or “**foreign source**”) and will be required to file a U.S. federal income tax return annually with the IRS. CSAC anticipates that it will also be subject to tax in Canada. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of CSAC as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of CSAC in Canada. Accordingly, it is

possible that CSAC will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the CSAC Class B Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes, notwithstanding future transfers. The remainder of this summary assumes that CSAC will be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

Tax Consequences of the Transaction to U.S. Holders of CSAC Class A Restricted Voting Shares

Conversion of CSAC into a U.S. Domestic Corporation

Tax Considerations upon the Conversion

Subject to the discussion in “*Effects of Code Section 367(b) Upon the Conversion*” below, the following U.S. federal income tax consequences will result from the Conversion:

- (i) U.S. Holders will be deemed to exchange their CSAC Class A Restricted Voting Shares for CSAC Class A Restricted Voting Shares in a U.S. domestic corporation;
- (ii) U.S. Holders will recognize no gain or loss as a result of the Conversion;
- (iii) the aggregate tax basis of CSAC Class A Restricted Voting Shares after the Conversion will be the same as such U.S. Holder’s aggregate tax basis in the CSAC Class A Restricted Voting Shares immediately prior to the Conversion; and
- (iv) the holding period of CSAC Class A Restricted Voting Shares will include the holding period of the CSAC Class A Restricted Voting Shares prior to the Conversion.

Effects of Code Section 367(b) Upon the Conversion

Notwithstanding qualification of the Transaction as a tax-deferred reorganization under Code Section 368(a)(1)(F), U.S. Holders may nevertheless, in certain circumstances, recognize taxable income in connection with the Transaction under Code Section 367(b). U.S. Holders who own, directly or indirectly under certain stock attribution rules, 10% or more of the combined voting power of CSAC (each, a “**10% U.S. Shareholder**”) will be required to recognize as dividend income a proportionate share of CSAC’s “all earnings and profits amount” (“**All E&P Amount**”), if any, as determined under applicable Treasury Regulations.

A U.S. Holder that is not a 10% U.S. Shareholder is not required to include any part of the All E&P Amount in income unless such U.S. Holder makes an election to do so (a “**Deemed Dividend Election**”). Absent a Deemed Dividend Election, such U.S. Holder must recognize gain, but will not recognize any loss, upon the deemed exchange of such U.S. Holder’s CSAC Class A Restricted Voting Shares for CSAC Class A Restricted Voting Shares in a U.S. domestic corporation if such CSAC Class A Restricted Voting Shares have a fair market value of \$50,000 or more on the date the Transaction is completed. The gain recognized will be added to the transferred basis in CSAC Class A Restricted Voting Shares in a U.S. domestic corporation that such U.S. Holder will receive in exchange for the CSAC Class A Restricted Voting Shares surrendered.

If a U.S. Holder that is not a 10% U.S. Shareholder and that does not make a Deemed Dividend Election holds different blocks of CSAC Class A Restricted Voting Shares acquired at different prices and has a built-in gain in one or more blocks of such shares and a built-in loss in the remaining blocks of such shares, such U.S. Holder should consult its own tax advisors for purposes of determining the amount of gain to be recognized in connection with the disposition of such CSAC Class A Restricted Voting Shares in the Transaction.

By making a Deemed Dividend Election, a U.S. Holder that is not a 10% U.S. Shareholder will, in lieu of recognizing a gain upon the exchange of CSAC Class A Restricted Voting Shares for CSAC Class A Restricted Voting Shares in a U.S. domestic corporation under the Transaction as described above, recognize as dividend income a proportionate share of CSAC’s All E&P Amount, if any. A Deemed Dividend Election can be made only if CSAC provides such U.S. Holder with information as to the All E&P Amount in respect of such U.S. Holder and the U.S. Holder elects and files certain notices with such U.S. Holder’s U.S. federal income tax return for the tax year in which the Transaction occurs.

CSAC anticipates that it will have a nominal All E&P Amount per share from inception through to the Effective Date. CSAC will continue to refine the computation of its All E&P Amount, as well as estimate its All E&P Amount through the date of closing of the Transaction, which closing date All E&P Amount will need to be finally determined after the Effective Date.

A U.S. Holder that is not a 10% U.S. Shareholder and who owns CSAC Class A Restricted Voting Shares with a fair market value of less than \$50,000 on the Effective Date will not be subject to tax under Code Section 367(b) upon the Conversion.

Required Notices under Code Section 367(b)

A notice under Code Section 367(b) (a “**Section 367(b) Notice**”) must be filed by holders of CSAC Class A Restricted Voting Shares that are 10% U.S. Shareholders. U.S. Holders that are not 10% U.S. Shareholders are required to file a Section 367(b) Notice only if they make a Deemed Dividend Election, and a notice of such election must be sent to CSAC on or before the date the Section 367(b) Notice is filed. U.S. Holders must attach the Section 367(b) Notice to their timely filed U.S. federal income tax return for the taxable year in which the Transaction occurs.

The requirements of Code Section 367(b) are complex. U.S. Holders should consult their own tax advisors regarding the application of Code Section 367(b) to their own particular circumstances and the notice and election requirements discussed above.

Passive Foreign Investment Company Considerations in Connection with the Conversion

In addition to the possibility of taxation under Code Section 367(b) as described above, the Conversion may be a taxable event to U.S. Holders if CSAC is, or ever was, a passive foreign investment company (“**PFIC**”) under Code Section 1297.

A non-U.S. corporation is classified as a PFIC if, for a taxable year, (i) 75% or more of its gross income is passive income (as defined for U.S. federal income tax purposes) or (ii) 50% or more (by value) of its assets either produce or are held for the production of passive income, based on the quarterly average of the fair market value of such assets. For purposes of the PFIC provisions, “gross income” generally means sales revenues less cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes dividends, interest, royalties, rents, and gains from commodities or securities transactions. In determining whether or not it is classified as a PFIC, a non-U.S. corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest by value.

CSAC believes that it was a PFIC during its initial tax year ended September 30, 2018, and based on its income, assets and activities during its current tax year, CSAC expects that it should be a PFIC for its current tax year. PFIC classification is factual in nature, and generally cannot be determined until after the close of the tax year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. No opinion of legal counsel or ruling from the IRS concerning the PFIC status of CSAC has been obtained and none will be requested. Consequently, there can be no assurances regarding the PFIC status of CSAC during its current tax year or any prior or future tax year.

Under proposed Treasury Regulations, if CSAC was classified as a PFIC for any tax year during which a U.S. Holder held CSAC Class A Restricted Voting Shares, special rules, set forth in the proposed Treasury Regulations, may increase such U.S. Holder’s U.S. federal income tax liability with respect to the Conversion. Such proposed Treasury Regulations generally would require gain recognition by Non-Electing Shareholders (as defined below) as a result of the Conversion. Under such rules:

- (i) the Conversion may be treated as a taxable exchange to such U.S. Holder even if such transaction otherwise qualifies as a tax-deferred reorganization under Code Section 368(a)(1)(F), as discussed above;
- (ii) any gain on the deemed exchange of the CSAC Class A Restricted Voting Shares for CSAC Class A Restricted Voting Shares in a U.S. corporation pursuant to the Conversion will be allocated ratably over such U.S. Holder’s holding period;

- (iii) the amount allocated to the current tax year and any tax year prior to the first tax year in which CSAC was classified as a PFIC will be taxed as ordinary income in the current tax year;
- (iv) the amount allocated to each of the other tax years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- (v) an interest charge for a deemed deferral benefit will be imposed with respect to the resulting tax attributable to each of the other tax years, which interest charge is not deductible by non-corporate U.S. Holders.

A U.S. Holder that has made a “mark-to-market” election under Code Section 1296 (a “**Mark-to-Market Election**”) or a timely and effective election to treat CSAC as a “qualified electing fund” (a “**QEF**”) under Code Section 1295 (a “**QEF Election**”) may generally mitigate or avoid the PFIC consequences described above with respect to the Conversion. A U.S. Holder who makes a timely and effective QEF Election generally must report on a current basis its share of CSAC’s net capital gain and ordinary earnings for any tax year in which CSAC is a PFIC, whether or not CSAC distributes any amounts to its shareholders. A U.S. Holder who makes the Mark-to-Market Election generally must include as ordinary income each year the excess of the fair market value of relevant shares over the U.S. Holder’s tax basis therein.

With respect to its initial tax year ended September 30, 2018, CSAC will use commercially reasonable efforts to satisfy the record keeping requirements that apply to a QEF and supply U.S. Holders with information, including PFIC annual information statements, that such U.S. Holders require to report under the QEF rules. CSAC may choose to provide the PFIC annual information statement on its website. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election. A shareholder who does not make a timely QEF Election or a Mark-to-Market Election is referred to for purposes of this summary as a “**Non-Electing Shareholder**”.

The proposed Treasury Regulations discussed above were proposed in 1992 and have not been adopted in final form. The proposed Treasury Regulations state that they are to be effective for transactions occurring on or after April 1, 1992. However, because the proposed Treasury Regulations have not yet been adopted in final form, they are not currently effective and there is no assurance they will be finally adopted in the form and with the effective date proposed. Further, it is uncertain whether the IRS would consider the proposed Treasury Regulations to be effective for purposes of determining the U.S. federal income tax treatment of the Conversion.

The PFIC provisions are complex. U.S. Holders should consult their own tax advisors regarding the application of the PFIC regime, including whether the proposed Treasury Regulations under Code Section 1291(f) would apply to the Conversion, the impact of making a Mark-to-Market Election or a QEF Election and/or other elections under the PFIC provisions, and the availability of, and procedures for making, such elections under the Code and Treasury Regulations.

Conversion of CSAC Class A Restricted Voting Shares to CSAC Class B Shares

The conversion of CSAC Class A Restricted Voting Shares into CSAC Class B Shares should qualify as a tax-deferred “recapitalization” within the meaning of Code Section 368(a)(1)(E) (a “**Recapitalization**”) and/or a tax-deferred exchange under Code Section 1036(a). If the conversion qualifies as a Recapitalization or tax-deferred exchange, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (i) a U.S. Holder of CSAC Class A Restricted Voting Shares who exchanges CSAC Class A Restricted Voting Shares for CSAC Class B Shares will not recognize a gain or loss as a result of such conversion;
- (ii) the aggregate tax basis of a U.S. Holder in the CSAC Class B Shares acquired in the conversion will be equal to such U.S. Holder’s aggregate tax basis in the CSAC Class A Restricted Voting Shares surrendered in exchange therefor; and
- (iii) the holding period of a U.S. Holder for the CSAC Class B Shares acquired in the conversion will include such U.S. Holder’s holding period for the CSAC Class A Restricted Voting Shares surrendered in exchange therefor.

Redemption of CSAC Class A Restricted Voting Shares

The U.S. federal income tax treatment of U.S. Holders who elect to deposit their CSAC Class A Restricted Voting Shares for redemption and whose CSAC Class A Restricted Voting Shares are redeemed by CSAC pursuant to the Transaction will depend on whether the redemption qualifies as a sale of the CSAC Class A Restricted Voting Shares under Code Section 302. If the redemption qualifies as a sale of the CSAC Class A Restricted Voting Shares under that section, the U.S. Holder will be treated as described under “Dispositions of CSAC Class B Shares” below with respect to such U.S. Holder’s CSAC Class A Restricted Voting Shares. If the redemption does not qualify as a sale of CSAC Class A Restricted Voting Shares, the U.S. Holder will be treated as receiving a corporate distribution with the tax consequences described under “Distributions on CSAC Class B Shares” below with respect to their CSAC Class A Restricted Voting Shares. Whether the redemption qualifies for sale treatment will depend largely on the percentage of the shares of CSAC’s outstanding stock treated as held by the U.S. Holder (including any stock constructively owned by the U.S. Holder, for example, as a result of owning CSAC Warrants) both before and after the redemption. The redemption of CSAC Class A Restricted Voting Shares generally will be treated as a sale (rather than as a corporate distribution) if the redemption (i) is “substantially disproportionate” with respect to such U.S. Holder, (ii) results in a “complete termination” of such U.S. Holder’s interest in CSAC or (iii) is “not essentially equivalent to a dividend” with respect to such U.S. Holder. These tests are explained more fully below.

In determining whether any of the foregoing tests are satisfied, a U.S. Holder takes into account not only stock actually owned by such U.S. Holder, but also shares that are constructively owned by such U.S. Holder. A U.S. Holder may constructively own, in addition to stock owned directly, stock owned by certain related individuals and entities in which the U.S. Holder has an interest or that have an interest in such U.S. Holder, as well as any stock the U.S. Holder has a CSAC Right to acquire by exercise of an option, which would generally include CSAC Class B Shares which could be acquired pursuant to the exercise of the CSAC Warrants. In order to meet the substantially disproportionate test, the percentage of CSAC’s outstanding voting stock actually and constructively owned by the U.S. Holder immediately following the redemption of CSAC Class A Restricted Voting Shares must, among other requirements, be less than 80% of the percentage of CSAC’s outstanding voting stock actually and constructively owned by such U.S. Holder immediately before the redemption. There will be a complete termination of a U.S. Holder’s interest if either (i) all of the shares of CSAC’s stock actually and constructively owned by the U.S. Holder are redeemed or (ii) all of the shares of CSAC’s stock actually owned by the U.S. Holder are redeemed and the U.S. Holder is eligible to waive, and effectively waives in accordance with specific rules, the attribution of stock owned by certain family members and the U.S. Holder does not constructively own any other stock of CSAC. The redemption of the CSAC Class A Restricted Voting Shares will not be essentially equivalent to a dividend if a U.S. Holder’s redemption results in a “meaningful reduction” of the U.S. Holder’s proportionate interest in CSAC. Whether the redemption will result in a meaningful reduction of a U.S. Holder’s proportionate interest in CSAC will depend on the particular facts and circumstances. However, the IRS has indicated in a published ruling that even a small reduction in the proportionate interest of a small minority stockholder in a publicly-held corporation who exercises no control over corporate affairs may constitute such a “meaningful reduction.” A U.S. Holder should consult with its own tax advisors as to the tax consequences of a redemption of such U.S. Holder’s CSAC Class A Restricted Voting Shares.

If none of the foregoing tests are satisfied, then the redemption will be treated as a corporate distribution and the tax effects will be as described under “*Distributions on CSAC Class B Shares*” below with respect to such U.S. Holder’s CSAC Class A Restricted Voting Shares. After the application of those rules, any remaining tax basis of the U.S. Holder in the redeemed CSAC Class A Restricted Voting Shares will be added to the U.S. Holder’s adjusted tax basis in its remaining CSAC Class A Restricted Voting Shares, or, if it has none, proportionately to the U.S. Holder’s adjusted tax basis in its CSAC Warrants and CSAC Rights, or possibly in other stock of CSAC constructively owned by it.

Tax Considerations of Holding and Disposing of CSAC Class B Shares after the Transaction

Distributions on CSAC Class B Shares

For U.S. federal income tax purposes, the gross amount of any distribution paid by CSAC on the CSAC Class B Shares generally should be included in the gross income of a U.S. Holder as a dividend to the extent the distribution is paid out of CSAC’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends will generally be taxable to a non-corporate U.S. Holder at the preferential rates applicable to

long-term capital gains, provided that such holder holds the CSAC Class B Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. A U.S. Holder that is a corporation generally will be entitled to a deduction equal to 70 percent of the amount of dividends received by it (80 percent if the U.S. Holder owns 20 percent or more of CSAC's stock, by vote and value), provided that such holder holds the CSAC Class B Shares for more than 45 days during the 91 day period beginning 45 days before the ex-dividend date and meets other holding period requirements. To the extent that the amount of any distribution exceeds CSAC's current and accumulated earnings and profits, the distribution should be treated, first, as a tax-free return of capital to the extent of the U.S. Holder's tax basis in its CSAC Class B Shares, and then, to the extent that the distribution exceeds the U.S. Holder's tax basis in such shares, as a capital gain. The determination of the extent to which a distribution results in a tax-free return of capital or capital gain is generally determined on a share-by-share basis.

If CSAC makes a distribution in Canadian dollars rather than U.S. dollars, the amount of the distribution that a U.S. Holder must include in income under the foregoing rules will be the U.S. dollar value of the Canadian dollar distribution, determined at the Canadian dollar/U.S. dollar spot rate on the date the distribution is includible in the U.S. holder's gross income, regardless of whether the distribution is converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the U.S. Holder includes the distribution in income to the date the holder converts the distribution into U.S. dollars will be treated as ordinary income or loss when recognized and will not be eligible for taxation at the preferential rates applicable to long-term capital gains.

Distributions by CSAC to a U.S. Holder on CSAC Class B Shares may be subject to withholding of Canadian tax. See "*Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada – Taxation of Dividends Received*".

Dispositions of CSAC Class B Shares

Gain or loss, if any, recognized by a U.S. Holder on the sale or other disposition of CSAC Class B Shares, generally will be treated as capital gain or loss in an amount equal to the difference between the U.S. Holder's tax basis in CSAC's CSAC Class B Shares and the U.S. dollar value of the amount realized on such sale or disposition. Such capital gain or loss will be long-term capital gain or loss if a U.S. Holder's holding period in the CSAC Class B Shares is more than one year at the time of the sale or other disposition. Long-term capital gains recognized by certain non-corporate U.S. Holders (including individuals) will generally be subject to a maximum U.S. federal income tax rate of 20%. Deductions for capital losses are subject to limitations. Any such gain or loss that a U.S. Holder recognizes will generally be treated as U.S.-source gain or loss.

Foreign Tax Credit Limitations

Because it is anticipated that CSAC will be subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on its CSAC Class B Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of CSAC as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by CSAC to be treated as U.S. source rather than foreign source for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from CSAC. Similarly, to the extent a sale or disposition of the CSAC Class B Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the CSAC Class B Shares constitute taxable Canadian property within the meaning of the Tax Act), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder should be able to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year.

The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding these rules.

Tax on Net Investment Income

Certain U.S. Holders that are individuals, estates, or trusts whose income exceeds certain thresholds will be required to pay an additional 3.8 percent tax on their “net investment income,” which includes, among other things, dividends and net gain from the sale or other disposition of property (other than property held in a trade or business, other than a passive trade or business or a trade or business consisting of trading financial instruments or commodities).

Back-Up Withholding and Information Reporting

Payments of dividends on or proceeds arising from the sale or other taxable disposition of CSAC Class B Shares generally will be subject to information reporting and back-up withholding if a U.S. Holder (i) fails to furnish such holder’s correct U.S. taxpayer identification number (generally on IRS Form W-9), (ii) furnishes an incorrect U.S. taxpayer identification number, (iii) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to back-up withholding, or (iv) fails to certify under penalties of perjury that the U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified the U.S. Holder that it is subject to back-up withholding.

Back-up withholding is not an additional tax. Any amounts withheld under the back-up withholding rules may be refunded or credited against the U.S. Holder’s U.S. federal income tax liability, assuming the required information is timely provided to the IRS.

U.S. Holders should consult with their own tax advisors regarding the effect, if any, of the foregoing summary on their ownership and disposition of CSAC Class B Shares.

Tax Consequences of the Transaction to U.S. Holders of CSAC Warrants and CSAC Rights

Treatment of CSAC Rights

The treatment of the CSAC Rights is uncertain. The CSAC Rights may be viewed as a forward contract, derivative security or similar interest in CSAC (analogous to a warrant or option with no exercise price), and thus the Holder of the CSAC Right would not be viewed as owning the CSAC Class B Shares issuable pursuant to the CSAC Rights until such CSAC Class B Shares is actually issued. There may be other alternative characterizations of the CSAC Rights that the IRS may successfully assert, including that the CSAC Rights are treated as equity in CSAC at the time the CSAC Rights were issued.

We believe the CSAC Rights should be treated in a manner similar to the CSAC Warrants, but the tax consequences of an acquisition of the CSAC Class B Shares pursuant to CSAC Rights are unclear. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of an acquisition of the CSAC Class B Shares pursuant to CSAC Rights.

Conversion of CSAC into a U.S. Domestic Corporation

Subject to the application of the PFIC rules discussed above, the following U.S. federal income tax consequences will result from the Conversion:

- (i) U.S. Holders will be deemed to exchange their CSAC Warrants and CSAC Rights for CSAC Warrants and CSAC Rights, respectively, in a U.S. domestic corporation;
- (ii) U.S. Holders will recognize no gain or loss as a result of the Conversion;
- (iii) the aggregate tax basis of CSAC Warrants and CSAC Rights after the Conversion will be the same as such U.S. Holder’s aggregate tax basis in the CSAC Warrants and CSAC Rights, respectively, immediately prior to the Conversion; and
- (iv) the holding period of CSAC Warrants and CSAC Rights will include the holding period of the CSAC Warrants and CSAC Rights, respectively, prior to the Conversion.

The exchange of CSAC Warrants and CSAC Rights for CSAC Warrants and CSAC Rights, respectively, in a U.S. domestic corporation will be subject to the PFIC rules discussed under “*Passive Foreign Investment Company Considerations in Connection with the Conversion*” above. However, a U.S. Holder is not permitted to make a Mark-to-Market Election or a QEF Election with respect to the CSAC Warrants or the CSAC Rights. The PFIC provisions are complex. U.S. Holders should consult their own tax advisors regarding the application of the PFIC regime, including whether the proposed Treasury Regulations under Code Section 1291(f) would apply to the Conversion, and the availability of and procedures for making elections under the Code and Treasury Regulations.

CSAC Warrants and CSAC Rights Converting into CSAC Warrants and CSAC Rights for CSAC Class B Shares

The conversion of the CSAC Warrants and CSAC Rights into CSAC Warrants and CSAC Rights, respectively, to acquire CSAC Class B Shares should qualify as a non-taxable event for U.S. Holders of CSAC Warrants and CSAC Rights.

Exercise of CSAC Warrants and CSAC Rights

A U.S. Holder should not recognize gain or loss on the exercise of a CSAC Warrant or a CSAC Right and related receipt of a CSAC Class B Share. A U.S. Holder’s initial tax basis in the CSAC Class B Share received on the exercise of a CSAC Warrant or the conversion of a CSAC Right should be equal to the sum of (a) such U.S. Holder’s tax basis in such CSAC Warrant or CSAC Right plus (b) with respect to the CSAC Warrants, the exercise price paid by such U.S. Holder on the exercise of such CSAC Warrant. A U.S. Holder’s holding period for the CSAC Class B Share should begin on the date that such CSAC Warrant or CSAC Right is exercised by such U.S. Holder.

Disposition of CSAC Warrants and CSAC Rights

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a CSAC Warrant or a CSAC Right in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder’s tax basis in the CSAC Warrant or CSAC Right sold or otherwise disposed of. Any such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if the CSAC Warrant or CSAC Right is held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Expiration of CSAC Warrants or CSAC Rights without Exercise

Upon the lapse or expiration of a CSAC Warrant or CSAC Right, a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder’s tax basis in such CSAC Warrant or CSAC Right. Any such loss generally will be a capital loss and will be long-term capital loss if such CSAC Warrant or CSAC Right is held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Certain Adjustments to the CSAC Warrants or CSAC Rights

Under Code Section 305, an adjustment to the number of CSAC Class B Shares that will be issued on the exercise of the CSAC Warrants or the conversion of the CSAC Rights, or an adjustment to the exercise price of such CSAC Warrants, may be treated as a constructive distribution to a U.S. Holder of the CSAC Warrants or CSAC Rights if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder’s proportionate interest in the “earnings and profits” or CSAC’s assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to the holders of CSAC Class B Shares). Adjustments to the exercise price of CSAC Warrants made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of such CSAC Warrants should generally not be considered to result in a constructive distribution. Any such constructive distribution would be taxable whether or not there is an actual distribution of cash or other property. See more detailed discussion of the rules applicable to distributions made by CSAC at “*Distributions on CSAC Class B Shares*” above.

Tax Consequences to Non-U.S. Holders

Distributions on CSAC Class B Shares

The gross amount of any distribution by CSAC to a Non-U.S. Holder on CSAC Class B Shares will be treated as a dividend to the extent such distribution is paid out of CSAC's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any distribution exceeds CSAC's current and accumulated earnings and profits for a taxable year, the distribution will be treated as a tax-free return of capital to the extent of the Non-U.S. Holder's tax basis in its CSAC Class B Shares. Then, to the extent that such distribution exceeds the Non-U.S. Holder's tax basis in its CSAC Class B Shares, it will be treated as gain from the sale or exchange of the Non-U.S. Holder's CSAC Class B Shares (see "*Dispositions of CSAC Class B Shares*" below). The determination of the extent to which a distribution results in a tax-free return of capital or gain is generally determined on a share-by-share basis. Any such distribution that constitutes a dividend is treated as U.S.-source gross income and is subject to withholding under Code Section 1441 (unless it is treated as "effectively connected" income as described below and appropriate documentation is provided). The withholding rate on dividends under Code Section 1441 is generally 30 percent, but may be reduced pursuant to a U.S. income tax treaty. Non-U.S. Holders will be required to provide documentation to claim a treaty exemption or reduced rate of withholding with respect to the distribution. Non-U.S. Holders should also review the discussion of the FATCA rules below. Distributions by CSAC to a Non-U.S. Holder on CSAC Class B Shares may also be subject to withholding of Canadian tax. See "*Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada – Taxation of Dividends Received*". Non-U.S. Holders should consult their own tax advisors regarding the extent to which they may be entitled to claim a credit or deduction in their jurisdiction of residence for any taxes withheld on distributions by CSAC on the CSAC Class B Shares.

Dispositions of CSAC Class B Shares or CSAC Warrants

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the disposition of CSAC Class B Shares or CSAC Warrants unless:

- (i) such Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year of disposition and certain other conditions are met;
- (ii) such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and, where a tax treaty applies, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder); or
- (iii) CSAC Class B Shares or CSAC Warrants constitute a U.S. real property interest by reason of CSAC's status as a "United States real property holding corporation" within the meaning of Code Section 897.

A Non-U.S. Holder described in the first bullet above is required to pay a flat 30 percent tax on the gain derived from the sale, which tax may be offset by U.S.-source capital losses. A Non-U.S. Holder described in the second bullet above, or if the third bullet applies, is required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and corporate Non-U.S. Holders described in the second bullet above may also be subject to branch profits tax at a 30 percent rate or such lower rate as may be specified by an applicable U.S. income tax treaty. Non-U.S. Holders should consult any applicable income tax treaties that may provide for different results. CSAC is not, and does not anticipate becoming, a United States real property holding corporation within the meaning of Code Section 897. Non-U.S. Holders should also review the discussion of the FATCA rules, below.

Back-Up Withholding and Information Reporting

Generally, CSAC must report annually to the IRS and to Non-U.S. Holders the amount of dividends paid and the amount of tax, if any, withheld with respect to those payments. These information reporting requirements apply even if withholding is not required. Pursuant to tax treaties or other agreements, the IRS may make such information available to tax authorities in the Non-U.S. Holder's country of residence. The payment of proceeds from the sale of CSAC Class B Shares by a broker to a Non-U.S. Holder is generally not subject to information reporting if:

- (i) the Non-U.S. Holder certifies its non-U.S. status under penalties of perjury by providing a properly executed IRS Form W-8BEN, or otherwise establishes an exemption; or
- (ii) the sale of CSAC Class B Shares is effected outside the United States by a foreign office of a broker, unless the broker is: (1) a U.S. person; (2) a foreign person that derives 50 percent or more of its gross income for certain periods from activities that are effectively connected with the conduct of a trade or business in the United States; (3) a “controlled foreign corporation” for U.S. federal income tax purposes; or (4) a foreign partnership more than 50 percent of the capital or profits interest of which is owned by one or more U.S. persons or which engages in a U.S. trade or business.

A back-up withholding tax may apply to amounts paid to a Non-U.S. Holder if the Non-U.S. Holder fails to properly establish its foreign status on the applicable IRS Form W-8 or if certain other conditions are met. Back-up withholding is not an additional tax. Any amounts withheld under the back-up withholding rules may be refunded or credited against the Non-U.S. Holder’s U.S. federal income tax liability, assuming the required information is timely provided to the IRS.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“**FATCA**”) rules may result in different U.S. federal income tax consequences than are described above for Non-U.S. Holders that are not individuals and for Non-U.S. Holders that receive payments through certain foreign financial institutions, investment funds or other non-U.S. persons, including with respect to withholding, information reporting, and distributions on and dispositions of shares. For example, FATCA imposes a 30 percent U.S. withholding tax on dividends on, or gross proceeds from the sale or other disposition of, shares paid to certain foreign financial institutions, investment funds and other non-U.S. persons receiving payments on the holder’s behalf if the holder or such persons fail to comply with certain requirements. Non-U.S. Holders should consult their own tax advisors with respect to the application of FATCA to their particular circumstances.

PROMOTER

Mercer, CSAC’s sponsor (who is also a CSAC Founder), is considered a promoter of CSAC within the meaning of applicable securities legislation.

As of the date of this prospectus, Mercer owns, of record and beneficially, 3,677,625 CSAC Class B Shares (comprised of 3,415,437 CSAC Founders’ Shares and the 262,188 CSAC Class B Shares forming part of the 262,188 (former) CSAC Class B Units), 2,884,058 CSAC Warrants (comprised of 2,621,870 CSAC Founders’ Warrants and the 262,188 CSAC Warrants forming part of the (former) 262,188 CSAC Class B Units) and 262,188 CSAC Rights (forming part of the 262,188 (former) CSAC Class B Units), representing approximately 21.4% of CSAC’s issued and outstanding shares. As of the Effective Date, and assuming that no CSAC Shareholders elect to redeem their CSAC Class A Restricted Voting Shares, Mercer is expected to own 3,677,625 Resulting Issuer Shares, expected to represent (i) approximately 21.4% of the Resulting Issuer Shares, based on the number of issued and outstanding Resulting Issuer expected to be outstanding upon completion of the Transaction, representing a total voting power of 21.4%, and (ii) approximately 14.8% of the Resulting Issuer Shares on a Diluted Basis.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described below, CSAC is not party to any legal proceedings, nor, to the knowledge of CSAC, are any such proceedings contemplated by or against CSAC.

Strainz NV LLC, which currently owns a 40% membership interest in Canopy, has indicated that it may bring legal action in respect of the purchase price paid for its interest in Canopy. Pursuant the Canopy Agreement and the Washoe Agreement, CSAC has agreed to indemnify Canopy in respect of all costs incurred by Canopy in connection with resolution of any such litigation in excess of an agreed upon amount, such amount being reflective of CSAC’s understanding, based on discussions with Canopy and Washoe, of the possible outcomes to this matter during the negotiation of the Canopy Agreement and the Washoe Agreement.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this prospectus, none of the proposed directors or executive officers of CSAC, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of shares of CSAC, or any associate or Affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of the prospectus, or any proposed transaction, that has materially affected or would materially affect CSAC or any of its expected subsidiaries.

As at September 30, 2018, the amount due to Mercer by CSAC was C\$185,896 for out-of-pocket expenses paid by Mercer on behalf of CSAC and the terms of the administrative services agreement which was entered into by Mercer and CSAC as part of the 2017 initial public offering of CSAC. As at September 30, 2018, the amount payable to Jonathan Sandelman by CSAC was C\$495,564 for out-of-pocket expenses paid on behalf of CSAC with respect to the Transaction. The amounts due are unsecured, non-interest bearing and are payable no earlier than the date of the consummation of the Transaction, with no recourse against the funds held in CSAC's escrow account.

Since the CSAC Founders (including our sponsor, Mercer Park CB, L.P.) will lose their investment in CSAC if a qualifying transaction is not completed, they may have different interests than holders of Class A Restricted Voting Shares in evaluating whether a proposed qualifying transaction, such as the Qualifying Transaction, is appropriate. The CSAC Founders will not be entitled to redeem their CSAC Founders' Shares in connection with a qualifying transaction or be entitled to access to CSAC's escrow account in respect thereof upon CSAC's winding-up. In addition, following completion of a qualifying transaction, the CSAC Founders' Shares may not be sold or transferred until the earliest of: (i) one year following the Effective Time of the qualifying transaction, and (ii) the date on which the closing share price of the Resulting Issuer Shares equals or exceeds \$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period at any time following the Effective Time of the qualifying transaction, which, given the trading price of the CSAC Class A Restricted Voting Shares as of the date of this prospectus, is expected to be satisfied. The personal and financial interests of the CSAC Founders may influence the identifying and selecting of the qualifying transaction, the voting on the qualifying transaction and the operation of the business following the qualifying transaction.

AUDITORS

The auditor of CSAC is MNP LLP, having an address at 111 Richmond Street West, Suite 300, Toronto, Ontario, Canada M5H 2G4. Such firm is independent of CSAC within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

The auditor of the Target Businesses is Macias Gini & O'Connell LLP, having an address at 111 Richmond Street West, Suite 300, Toronto, Ontario, Canada M5H 2G4. Such firm is independent of the Target Businesses and CSAC within the meaning of the CPA Code of Professional Conduct and within the meaning of PCAOB Rule 3520, Auditor Independence. Upon completion of the Transaction it is proposed that MNP LLP will remain the auditor of CSAC.

REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar of the Resulting Issuer Shares will be Odyssey Trust Company at its principal offices in Calgary, Alberta.

EXPERTS AND INTERESTS OF EXPERTS

Certain Canadian legal and tax matters will be passed upon at the date of this prospectus by Stikeman Elliott LLP, on CSAC's behalf and on behalf of Mercer. Certain U.S. legal and tax matters will be passed upon at the date of this prospectus by Hodgson Russ LLP, on CSAC's behalf and on behalf of Mercer, and Seyfarth Shaw LLP, Maupin, Cox & LeGoy LLP and Dickinson Wright PLLC on behalf of the Target Businesses.

As at the date hereof, the partners and associates of each of Stikeman Elliott LLP, Hodgson Russ LLP, Seyfarth Shaw LLP, Maupin, Cox & LeGoy LLP and Dickinson Wright PLLC, as a group, each beneficially own, directly or

indirectly, less than one percent of CSAC's securities or the Target Businesses' securities, and each will own less than one percent of the outstanding securities of CSAC or the Target Businesses.

MATERIAL CONTRACTS

The following are the material contracts of CSAC, other than contracts entered into in the ordinary course of business:

- (a) the Warrant Agreement;
- (b) the Rights Agreement;
- (c) the Definitive Agreements; and
- (d) the Exchange Rights Agreements.

Copies of the above material contracts will be available following completion of the Transaction on CSAC's SEDAR profile at www.sedar.com. Set out below are the particulars of certain material contracts not described elsewhere in this prospectus.

CONTRACTUAL RIGHT OF ACTION

Original purchasers of CSAC Class A Restricted Voting Shares, CSAC Warrants and CSAC Rights from the underwriters in CSAC's initial public offering who continue to hold those securities up to the Redemption Deadline will have a contractual right of action for rescission or damages against CSAC (as well as a contractual right of action for damages alone against: (a) the directors of CSAC as of the Redemption Deadline (the "**CSAC directors**"), and (b) every person or company who signs this prospectus, which, for greater certainty, includes Mercer as a promoter of CSAC (collectively, the "**signatories**")).

In the event that CSAC's qualifying transaction is completed and if this prospectus or any amendment hereto contains a misrepresentation (as defined in the *Securities Act* (Ontario)), provided that such claims for rescission or damages are commenced by the purchaser not later than: (a) in the case of an action for rescission, 180 days after the Redemption Deadline, or (b) in the case of an action for damages, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three (3) years after the Redemption Deadline, a purchaser who purchased CSAC Class A Restricted Voting Shares, CSAC Warrants and CSAC Rights from CSAC in its initial public offering shall, in respect of such CSAC Class A Restricted Voting Shares, as re-designated pursuant to the Transaction as the Resulting Issuer Shares, such CSAC Warrants and such CSAC Rights, be entitled to, in addition to any other remedy available at the time to such holder, (i) as against CSAC, in the case of rescission, the amount paid for such CSAC Class A Restricted Voting Shares and/or such CSAC Warrants and/or such CSAC Rights, as applicable, upon surrender of such securities, and (ii) as against CSAC, the CSAC directors and the signatories, in the case of a damages election, their proven damages.

In addition, the following additional provisions apply to actions against the CSAC directors or the signatories:

- (i) each has a due diligence defence and the other defences and rights contemplated in section 130 of the *Securities Act* (Ontario) and at law; and
- (ii) each is entitled to be indemnified by CSAC and the Target Businesses to the maximum extent permitted by law.

This contractual right of action for rescission or damages will, subject to the foregoing, be consistent with the statutory right of rescission or damages described under section 130 of the *Securities Act* (Ontario). In no case shall the amount recoverable exceed the original purchase price of the CSAC Class A Restricted Voting Units. In addition, for non-residents of Canada, the contractual right shall be subject to the same interpretational or constitutional defences, if any, as would apply to a claim against a resident Canadian issuer under section 130 of the *Securities Act* (Ontario), and, as a result, the argument that non-residents are not entitled to take advantage of the contractual right shall not be precluded.

The directors of CSAC as at the date of the final prospectus (or any amendment), namely Jonathan Sandelman, Mark Smith, Kamaldeep Thindal and Charles Miles will, subject to the terms thereof, be potentially liable for misrepresentations in this final prospectus (as it may be amended) under Part XXIII.1 of the *Securities Act* (Ontario) and the “*Contractual Right of Action*” as described above. New directors of CSAC appointed after such date will not be subject to such liability as such.

SECURITIES LAW EXEMPTIONS

CSAC has applied for regulatory relief from each of the provincial and territorial securities regulatory authorities in Canada, except Quebec (the “**Applicable Securities Regulators**”), where CSAC is not a reporting issuer, in respect of the provision of LivFree’s audited financial statements for the year ended December 31, 2016, whose 2016 data was lost due to the industry-wide issue involving a cannabis technology service provider in 2016, whereby the technology service provider suffered a complete data loss. Such relief will be evidenced by the issuance of a receipt for this prospectus.

FINANCIAL STATEMENTS

Please see attached the following financial statements:

- audited financial statements of CSAC as of and for the year ended September 30, 2018, together with the notes thereto and the auditors’ report thereon, attached to this prospectus as Appendix A;
- audited consolidated financial statements of LivFree as of and for the nine months ended September 30, 2018, together with the notes thereto and the auditors’ report thereon (non-comparative), attached to this prospectus as Appendix C;
- audited consolidated financial statements of LivFree as of and for the year ended December 31, 2017, together with the notes thereto and the auditors’ report thereon (non-comparative), attached to this prospectus as Appendix D;
- unaudited condensed consolidated interim financial statements of LivFree as of and for the three and nine months ended September 30, 2018 and 2017, attached to this prospectus as Appendix E;
- audited consolidated financial statements of Washoe as of and for the years ended December 31, 2017, 2016 and 2015, together with the notes thereto and the auditors’ report thereon, attached to this prospectus as Appendix G;
- unaudited condensed consolidated interim financial statements of Washoe as of and for the three and nine months ended September 30, 2018 and 2017, together with the notes thereto, attached to this prospectus as Appendix H;
- audited consolidated financial statements of Canopy as of and for the year ended December 31, 2017 and for the period from April 1, 2016 (inception date) to December 31, 2016, together with the notes thereto and the auditors’ report thereon, attached to this prospectus as Appendix J;
- unaudited condensed consolidated interim financial statements of Canopy as of and for the three and nine months ended September 30, 2018 and 2017, together with the notes thereto, attached to this prospectus as Appendix K;
- audited consolidated financial statements of Sira as of and for the years ended December 31, 2017, 2016 and 2015, together with the notes thereto and the auditors’ report thereon, attached to this prospectus as Appendix M;
- unaudited condensed consolidated interim financial statements of Sira as of and for the three and nine months ended September 30, 2018 and 2017, together with the notes thereto, attached to this prospectus as Appendix N;

- audited consolidated financial statements of CannaPunch as of and for the period from March 30, 2017 (inception date) to December 31, 2017, together with the notes thereto and the auditors' report thereon, attached to this prospectus as Appendix P;
- unaudited condensed consolidated interim financial statements of CannaPunch as of and for the three and nine months ended September 30, 2018 and 2017, together with the notes thereto, attached to this prospectus as Appendix Q; and
- unaudited pro forma financial statements of CSAC, after giving effect to the Transaction, as of and for the year ended September 30, 2018, together with the notes thereto, and attached to this prospectus as Appendix T.

APPENDIX A - CSAC AUDITED ANNUAL FINANCIAL STATEMENTS

CANNABIS STRATEGIES ACQUISITION CORP.
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018
AND FOR THE PERIOD FROM COMMENCEMENT OF
OPERATIONS ON JULY 31, 2017 TO
SEPTEMBER 30, 2017
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Cannabis Strategies Acquisition Corp.:

We have audited the accompanying financial statements of Cannabis Strategies Acquisition Corp., which comprise the statements of financial position as at September 30, 2018 and September 30, 2017, and the statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the year ended September 30, 2018 and the period from the date of incorporation (July 31, 2017) to September 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cannabis Strategies Acquisition Corp. as at September 30, 2018 and September 30, 2017 and its financial performance and its cash flows for the year ended September 30, 2018 and the period from the date of incorporation (July 31, 2017) to September 30, 2017 in accordance with International Financial Reporting Standards.

Toronto, Ontario
November 27, 2018

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

MNP

Cannabis Strategies Acquisition Corp.

Statements of Financial Position (Expressed in Canadian Dollars)

	As at September 30, 2018	As at September 30, 2017
ASSETS		
Current		
Cash	\$ 703,237	\$ - 10
Prepaid expenses	4,375	-
Deposit	300,000	-
	1,007,612	10
Restricted cash and short-term investments held in escrow (note 5)	135,683,564	-
Total assets	\$ 136,691,176	\$ 10
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities	\$ 718,288	\$ -
Due to related parties (note 11)	773,776	-
	1,492,064	-
Deferred underwriters' commission (note 9)	4,716,250	-
Class A Restricted Voting Shares subject to redemption (note 6)	159,005,000	-
Warrant liability (note 7)	16,359,058	-
Total liabilities	181,572,372	-
Shareholders' deficiency		
Share capital (note 8(a))	2,287,620	10
Deficit	(47,168,816)	-
Total shareholders' deficiency	(44,881,196)	10
Total liabilities and shareholders' deficiency	\$ 136,691,176	\$ 10

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

Organization and nature of operations (note 1)

Approved on behalf of the Board:

"Jonathan Sandelman", Director

"Kamaldeep Thindal", Director

Cannabis Strategies Acquisition Corp.
Statements of Operations and Comprehensive loss
(Expressed in Canadian Dollars)

	Year Ended September 30, 2018	Period from July 31, 2017 (date of incorporation) to September 30, 2017
Revenue		
Interest income	\$ 933,564	\$ -
Expenses		
Transaction costs (note 9)	9,130,817	-
General and administrative (note 10)	1,176,016	-
Net unrealized loss on changes in the fair value of financial liabilities (notes 6 and 7)	37,795,547	-
	48,102,380	-
Net loss and comprehensive loss for the year/period	(47,168,816)	\$ -
Basic and diluted net loss per Class B share	\$ (15.97)	\$ 0.00
Weighted average number of Class B Shares outstanding (basic and diluted)	2,953,407	-

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

Cannabis Strategies Acquisition Corp.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended September 30, 2018	Period from July 31, 2017 (date of incorporation) to September 30, 2017
Operating activities		
Net loss and comprehensive loss for the year/period	\$ (47,168,816)	\$ -
Non-cash items included in net loss and other adjustments:		
Interest income	(933,564)	-
Transaction costs associated with financing activities (note 9)	9,130,817	-
Net unrealized loss on changes in the fair value of financial liabilities	37,795,547	-
Changes in non-cash working capital items:		
Prepaid expenses	(4,375)	-
Deposit	(300,000)	-
Accounts payable and accrued liabilities	718,288	-
Due to related parties	773,776	-
Net cash provided by operating activities	11,673	-
Investing activities		
Investment in restricted cash and short-term investments held in escrow (note 5)	(134,750,000)	-
Net cash used in investing activities	(134,750,000)	-
Financing activities		
Proceeds from issuance of Class B Shares to Founders (note 8)	25,000	-
Proceeds from issuance of Class B Units (note 8)	2,621,880	-
Proceeds from issuance of Class B Shares in connection with corporate organization (note 8)	-	10
Proceeds from issuance of Warrants to Founders (note 7)	2,621,870	-
Proceeds from issuance of Class A Restricted Voting Units (notes 6 and 7)	134,750,000	-
Transaction costs (note 9)	(4,577,196)	-
Net cash provided by financing activities	135,441,554	10
Net change in cash during the year/period	703,227	10
Cash, beginning of year/period	10	-
Cash, end of year/period	\$ 703,237	\$ 10

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

Cannabis Strategies Acquisition Corp.
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	<u>Class B Shares</u>			
	Number	Amount	Deficit	Total
From commencement of operations on July 31, 2017	-	\$ -	\$ -	\$ -
Issuance of Class B Shares in connection with organization of the Corporation (note 8(a))	1	10	-	10
Balance, September 30, 2017	1	10	-	10
Issuance of Class B Shares to Founders (note 1 and note 8(a))	3,662,109	25,000	-	25,000
Issuance of Class B Units to Sponsor (note 1 and note 8(a))	262,188	2,621,880	-	2,621,880
Allocation of proceeds received pursuant to the Offering, over-allotment option and attributed to Warrants (note 1 and note 8(a))	-	(196,641)	-	(196,641)
Transaction costs (note 9)		(162,629)	-	(162,629)
Forfeiture of Founders Class B Shares (note 1)	(227,812)	-	-	-
Net loss and comprehensive loss for the year	-		(47,168,816)	(47,168,816)
Balance, September 30, 2018	3,696,486	\$ 2,287,620	\$(47,168,816)	\$(44,881,196)

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

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

1. Organization and nature of operations

Cannabis Strategies Acquisition Corp. (“Cannabis Strategies” or the “Corporation”) is a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a “Qualifying Transaction”). The Corporation’s business activities are carried out in a single business segment.

The Corporation was incorporated on July 31, 2017 under the Business Corporations Act (Ontario) and is domiciled in Canada. The registered office of the Corporation is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, M5L 1B9. The head office of the Sponsor (as defined below) is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

On December 21, 2017, the Corporation completed its initial public offering (the “Offering”) of 12,500,000 Class A Restricted Voting Units at \$10.00 per Class A Restricted Voting Unit. Each Class A Restricted Voting Unit consisted of one Class A restricted voting share (“Class A Restricted Voting Share”) of the Corporation, one share purchase warrant (each, a “Warrant”) and one right (each, a “Right”). Each Class A Restricted Voting Share, unless previously redeemed, will be automatically converted into one Class B Share following the closing of a Qualifying Transaction. All Warrants will become exercisable at a price of \$11.50 per share, commencing 65 days after the completion of a Qualifying Transaction and will expire on the day that is five years after the completion of a Qualifying Transaction or may expire earlier if a Qualifying Transaction does not occur within the permitted timeline of 18 months (“Permitted Timeline”) (subject to extension, as further described herein) from the closing of the Offering or if the expiry date is accelerated. Each Warrant is exercisable to purchase one Class A Restricted Voting Share (which, following the closing of the Qualifying Transaction, will become one Class B Share of Cannabis Strategies and each Right would represent the entitlement to automatically receive, for no additional consideration, one-tenth (1/10) of one Class A Restricted Voting Share (following the closing of a Qualifying Transaction, which at such time will be one-tenth (1/10) of a Class B Share). At the option of the warrant holder, the Warrants may be exercised through cashless exercise.

In connection with the Offering, the Corporation granted the underwriter a 30-day non-transferable option to purchase up to an additional 1,875,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes.

Concurrent with the completion of the Offering, Mercer Park CB, L.P. (the “Sponsor”), a limited partnership formed under the laws of the State of Delaware, indirectly controlled by Mercer Park, L.P., a privately-held family office based in New York, New York and Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them) (collectively with the Sponsor, the “Founders”) purchased an aggregate of 3,662,109 Class B Shares (“Founders’ Shares”), consisting of 3,642,109 Class B Shares purchased by the Sponsor, 10,000 Class B Shares purchased by Kamaldeep Thindal, and 10,000 Class B Shares purchased by Charles Miles, in each case assuming that the over-allotment option was exercised in full for total proceeds of \$25,000. In addition, the Sponsor purchased an aggregate of 250,000 Class B Units (the “Class B Units”) at \$10.00 per Class B Unit and 2,500,000 Warrants (“Founders’ Warrants”) at \$1.00 per Founders’ Warrant. Each Class B Unit consists of one Class B Share, one Warrant and one Right. The Founders’ Warrants will be subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting Units and Class B Units. The Rights underlying the Class B Units will be subject to the same terms and conditions as the Rights underlying the Class A Restricted Voting Units.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

1. Organization and nature of operations (continued)

On January 19, 2018, the underwriter exercised its over-allotment option to purchase an additional 975,000 Class A Restricted Voting Units for aggregate proceeds of \$9,750,000 and the Sponsor subscribed for a additional 121,870 Founders' Warrants (for an aggregate purchase price of \$121,870) and 12,188 Class B Units (for an aggregate purchase price of \$121,880) for aggregate proceeds of \$243,750. As a result of the exercise of the over-allotment option, an aggregate of 13,475,000 Class A Restricted Voting Units of the Corporation were issued for aggregate proceeds of \$134,750,000. Due to the partial exercise of the over-allotment option, an aggregate of 227,812 Class B Shares (also known as Founders' Shares) were forfeited without compensation by the Founders on January 19, 2018. As a result, following the exercise of the over-allotment option and forfeiture of the 227,812 Founders' Shares, the Founders own an aggregate of 3,434,297 Class B Shares, 262,188 Class B Units and 2,621,870 Founders' Warrants.

Each Class A Restricted Voting Unit commenced trading on December 21, 2017 on the Aequitas NEO Exchange Inc. (the "Exchange") under the symbol "CSA.UN", and were separated into Class A Restricted Voting Shares, Warrants and Rights following the close of business on January 30, 2018, being 40 days following the closing of the Offering, which trade under the symbols "CSA.A", "CSA.WT" and "CSA.RT", respectively. The Class B Shares issued to the Founders and the Class B Units issued to the Sponsor will not be listed prior to the Qualifying Transaction.

The proceeds of \$134,750,000 from the Offering and over-allotment are held by Odyssey Trust Company, as Escrow Agent, in an escrow account (the "Escrow Account") at a Canadian chartered bank or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the Corporation prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the Corporation to (i) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline of up to 36 months with shareholder approval from the holders of Class A Restricted Shares and the Corporation's board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the deferred underwriting commissions in the amount of \$4,716,250, 50% of which will be payable to the Underwriter and the remaining 50% will be payable by the Corporation at its discretion.

In connection with consummating a Qualifying Transaction, the Corporation will require (i) approval by a majority of the directors unrelated to the Qualifying Transaction, and (ii) approval by a majority of the holders of the Class A Restricted Voting Shares and Class B Shares, voting together as if they were a single class of shares, at a shareholders meeting held to consider the Qualifying Transaction, if required by the Exchange's rules at the time of the Qualifying Transaction. Irrespective of whether they vote for or against, or do not vote on, the proposed Qualifying Transaction, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per share price, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the escrowed funds available in the Escrow Account at the time of the shareholders meeting (if required by the rules of the Exchange at the time of the Qualifying Transaction, or if no such shareholders' meeting is required, at the time immediately prior to the redemption deposit timeline), including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by the Corporation, subject to certain limitations. Each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or any other person with whom such holder or affiliate is acting jointly or in concert, will be subject to a redemption limitation of an aggregate 15% of the number of Class A Restricted Voting Shares issued and outstanding. Class B Shares will not be redeemable in connection with a Qualifying Transaction or an extension to the Permitted Timeline and holders of Class B Shares shall not be entitled to access the Escrow Account should a Qualifying Transaction not occur within the Permitted Timeline.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

1. Organization and nature of operations (continued)

If the Corporation is unable to complete its Qualifying Transaction within the Permitted Timeline (or an extension of the Permitted Timeline), all of the Class A Restricted Voting Shares will be automatically redeemed and each holder of a Class A Restricted Voting Share will receive an amount, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the Escrow Account, including any interest and other amounts earned; less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account, (ii) any taxes of the Corporation arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of \$50,000 of interest and other amounts earned to pay actual and expected expenses related to the dissolution and certain other related costs as reasonably determined by the Corporation. The underwriter will have no right to the deferred underwriting commissions held in the Escrow Account in such circumstances.

2. Basis of presentation

These financial statements of the Corporation as at September 30, 2018 and for the year ended September 30, 2018 (the "September 2018 Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada Handbook – Accounting. The September 2018 Financial Statements were authorized for issuance by the Board of Directors on November 27, 2018.

The significant accounting policies and methods of application adopted by the Corporation in the preparation of the September 30, 2018 Financial Statements are provided in note 3.

3. Summary of significant accounting policies

The significant accounting policies adopted by the Corporation in the preparation of its financial statements are set out below.

Basis of presentation

These financial statements have been prepared under the historical cost convention, except for the carrying value of Class A Restricted Voting Shares subject to redemption and Warrant liability, which are measured at fair value as determined at each reporting date. The Corporation's functional and presentation currency is the Canadian dollar.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned and the Corporation has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expires.

Classification of financial instruments in the Corporation's financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Financial assets are classified as fair value through profit or loss ("FVTPL") or loans and receivables. Financial liabilities are classified as FVTPL or other financial liabilities.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVTPL are added to the carrying amount of the asset or liability. The fair value of financial instruments is generally determined by the point within the bid-ask spread where an active market exists. If the last traded price falls outside of the day's bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Where an active market is not available for a financial instrument, the fair value is determined using valuation techniques.

Financial instruments classified as FVTPL are carried at fair value in the statements of financial position and any gains or losses are recorded in net income (loss) in the period in which they arise. Financial instruments classified as FVTPL include cash, restricted cash, Class A Restricted Voting Shares subject to redemption, and Warrant liability.

Loans and receivables and other financial liabilities are recognized at amortized cost using the effective interest rate method. Such accounts include accounts payable and accrued liabilities, due to related parties and deferred underwriters' commission.

All financial instruments recognized at fair value in the statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

- Level 1 – Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – Valuation techniques with significant unobservable market inputs.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

Impairment of Financial Assets at Amortized Cost

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence may include significant financial difficulty of the obligor or delinquencies in interest and principal payments. If such evidence exists, the Corporation recognizes an impairment loss equal to the difference between the carrying value of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate for the financial asset. An impairment of a financial asset carried at amortized cost is reversed in subsequent periods if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

Income taxes

The Corporation follows the balance sheet liability method to provide for income taxes on all transactions recorded in its financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in net income or loss in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing laws in each applicable jurisdiction. Future taxable income is also significantly dependent upon the Corporation completing a Qualifying Transaction, the underlying structure of a Qualifying Transaction, and the resulting nature of operations. To the extent that future cash flows and/or the probability, structure and timing, and the nature of operations of a future Qualifying Transaction differ significantly from estimates made, the ability of the Corporation to realize a deferred income tax asset could be materially impacted.

Earnings (loss) per share

Basic earnings or loss per share is computed by dividing the net earnings or loss attributable to shareholders by the weighted average number of shares outstanding during the period, excluding Class A Restricted Voting Shares subject to redemption. Diluted earnings or loss per share, where applicable, is calculated by adjusting the weighted average number of shares outstanding for dilutive instruments by applying the treasury stock method.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

New standards not yet adopted and interpretations issued but not yet effective

IFRS 9 Financial Instruments

Financial Instruments ("IFRS 9") is effective for the Corporation on October 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

Based on the Corporation's assessment, the Corporation has determined that this standard will not have a significant impact on its financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") is effective for the Corporation on October 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Based on the Corporation's assessment, the Corporation has determined that this standard will not have a significant impact on its financial statements.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

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(Expressed in Canadian Dollars)

4. Critical accounting judgments, estimates and assumptions

The preparation of these financial statements requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, and items in net income or loss, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on various assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its September 30, 2018 Financial Statements.

Fair Value of Financial Instruments

Certain financial instruments are recorded in the Corporation's statements of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. If the financial instrument does not trade on an active market, the Corporation will use an option-pricing model to measure the fair value of the financial instrument. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instrument. Changes in the underlying trading value or estimates may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price or option price of a financial liability may not be equal to the amount that the Corporation may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate.

Warrant Valuations

Pursuant to the Corporation's Offering of Class A Restricted Voting Units, the Corporation issued Warrants. The Company also issued Warrants as part of the Class B Units issued to Founders and has also issued the Founders Warrants. Estimating the fair value of warrants requires determining the most appropriate valuation model that is dependent on the terms and conditions of the Warrant. To the extent that a quoted market value is not available, the Corporation applies an option-pricing model to measure the fair value of the Warrants issued. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the Warrant. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net income or loss.

Income tax

The determination of the Corporation's income taxes and other tax assets and liabilities requires interpretation of complex laws and regulations. Judgment is required in determining whether deferred income tax assets should be recognized on the statements of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Corporation will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing laws in each applicable jurisdiction. Future taxable income is also significantly dependent upon the Corporation completing a Qualifying Transaction, the underlying structure of a Qualifying Transaction, and the resulting nature of operations. To the extent that future cash flows and/or the probability, structure and timing, and the nature of operations of a future Qualifying Transaction differ significantly from estimates made, the ability of the Corporation to realize a deferred tax asset could be materially impacted.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

5. Restricted cash and short-term investments held in escrow

September 30, 2018

Investments in Flexible Guaranteed Investment Certificate due December 21, 2018	\$125,000,000
Investments in Flexible Guaranteed Investment Certificate due January 21, 2019	9,750,000
Accrued interest	933,564
Restricted cash and short-term investments held in escrow	\$135,683,564

6. Class A restricted voting shares subject to redemption

Authorized

The Corporation is authorized to issue an unlimited number of Class A Restricted Voting Shares. The holders of Class A Restricted Voting Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

Voting rights

Prior to the consummation of a Qualifying Transaction, holders of Class A Restricted Voting Shares are not entitled to vote at, or receive notice of or meeting materials in respect of customary annual general meeting matters, including the election and removal of directors and auditors. The holders of Class A Restricted Voting Shares would, however, be entitled to vote on and receive notice of meeting materials on all other matters requiring shareholder approval, including approval of an extension of the Permitted Timeline and of a proposed Qualifying Transaction and in the latter case, the holders of the Class A Restricted Voting Shares would vote together with the Class B Shares as if they were a single class of shares.

Redemption rights

The holders of Class A Restricted Voting Shares are entitled to redeem their shares, subject to certain conditions, and are entitled to receive the escrow proceeds, net of applicable taxes and other permitted deductions, from the Escrow Account: (i) in the event that the Corporation does not complete a Qualifying Transaction within the Permitted Timeline (in which case the redemption is automatic); (ii) in the event of a Qualifying Transaction; and (iii) in the event of an extension to the Permitted Timeline. Upon such redemption, the rights of holders of Class A Restricted Voting Shares as shareholders will be completely extinguished.

Fair value of Class A restricted voting shares subject to redemption

The redemption rights embedded in the terms of the Corporation's Class A Restricted Voting Shares are considered by the Corporation to be outside of the Corporation's control and subject to uncertain future events. Accordingly, the Corporation has classified its "Class A Restricted Voting Shares subject to redemption" as financial liabilities at FVTPL.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

6. Class A restricted voting shares subject to redemption (continued)

Fair value of Class A restricted voting shares subject to redemption-issued and outstanding

	Number	Amount
From incorporation on July 31, 2017	-	\$ -
Issuance of Class A Restricted Voting Shares pursuant to the Offering	12,500,000	115,625,000
Issuance of Class A Restricted Voting Shares pursuant to the over-allotment option	975,000	9,018,750
	13,475,000	124,643,750
Adjusted for:		
Fair value adjustment	-	34,361,250
Balance, September 30, 2018	13,475,000	\$159,005,000

The fair value of the Company's Class A restricted voting shares increased to \$159,005,000 as the Class A Restricted Voting Shares bid price on September 30, 2018 was \$11.80.

7. Warrant liability

As at September 30, 2018, the Corporation had 16,359,058 Warrants issued and outstanding, comprised of 13,475,000 Warrants forming part of the Class A Restricted Voting Units, 2,621,870 Founders' Warrants, and 262,188 Warrants forming part of the Class B Units.

All Warrants will become exercisable only commencing 65 days after the completion of our Qualifying Transaction. Each Warrant is exercisable to purchase one Class A Restricted Voting Share (which, following the closing of the Qualifying Transaction, will become one Class B Share) at a price of \$11.50 per share, subject to the following adjustments. The Warrant Agreement will provide that the exercise price and number of Class B Shares issuable on exercise of the Warrants may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend or a recapitalization, reorganization, merger or consolidation. The Warrants will not, however, be adjusted for issuances of Class B Shares at a price below their exercise price. Once the Warrants become exercisable, the Corporation may accelerate the expiry date of the outstanding Warrants (excluding the Founders' Warrants but only to the extent still held by the Sponsor at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by the Sponsor of material undisclosed information which could limit their flexibility) by providing 30 days' notice if, and only if, the closing share price of the Class B Shares equals or exceeds \$18.00 per Class B Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided.

The Warrant holders will not be entitled to the proceeds from the Escrow Account. The Warrant holders do not have the rights or privileges of holders of shares and any voting rights until they exercise their Warrants and receive corresponding Class B Shares of the Corporation. After the issuance of corresponding Class B Shares upon exercise of the Warrants, each holder is expected to be entitled to one vote for each Class B Share held of record on all matters to be voted on by shareholders.

Restrictions on Transfer of Founders' Warrants

With certain exemptions, the Founders have agreed not to transfer any of their Founders' Warrants until after the closing of the Qualifying Transaction, except for transfers required due to the structuring of the Qualifying Transaction, in which case such restriction will apply to the securities received in connection with the Qualifying Transaction. Following completion of the Corporation's Qualifying Transaction, the Founders' Warrants, including Class B Shares issuable on exercise of the Founders' Warrants, may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

7. Warrant liability (continued)

Fair value of Warrants

As the number of Class B Shares to be issued by the Corporation upon exercise of the Warrants is not fixed and fail the "fixed-for-fixed" criteria for equity classification, the Warrants have been classified as derivative liabilities to be measured at FVTPL. The Corporation applies an option-pricing model to measure the fair value of the Warrants when issued. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the Warrants. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net income or loss.

Warrants - Issued and Outstanding

	Number	Amount
From incorporation on July 31, 2017	-	\$ -
Warrants issued in connection with:		
Issuance to Founders	2,621,870	2,621,870
Issuance of Class A Restricted Voting Units pursuant to the Offering	12,500,000	9,375,000
Issuance of Class A Restricted Voting Units pursuant to the over-allotment option	975,000	731,250
Issuance of Class B Units to Sponsor	262,188	196,641
	16,359,058	12,924,761
Adjusted for:		
Fair value adjustment	-	3,434,297
Balance, September 30, 2018	16,359,058	\$ 16,359,058

The fair value of the Company's Warrants increased to \$16,359,058 as the Warrant's bid price on September 30, 2018 was \$1.00.

8. Shareholders' deficiency

a) Class B Shares

Authorized

The Corporation is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

Voting rights

Holders of Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote, with the exception of a vote to approve an extension of the Permitted Timeline within which the Corporation is required to complete its Qualifying Transaction, which will only be voted upon by holders of Class A Restricted Voting Shares.

Redemption rights

Holders of Class B Shares do not have any redemption rights with respect to its Class B Shares, or rights to distributions from the Escrow Account if the Corporation fails to complete a Qualifying Transaction within the Permitted Timeline.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

8. Shareholders' deficiency (continued)

a) Class B Shares (continued)

Restrictions on transfer, assignment or sale of Founders' Shares

With certain exceptions, the holders of the Founders' Shares have agreed not to transfer, assign or sell any of their Founders' Shares prior to completion of the Corporation's Qualifying Transaction, and following completion of a Qualifying Transaction, they have agreed not to sell or transfer any of their Founders' Shares until the earlier of: (A) one year following completion of the Qualifying Transaction, and (B) the date on which the closing share price of the Class B Shares equals or exceeds \$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period at any time following the closing of the Qualifying Transaction.

In addition to the foregoing transfer restrictions, 25% of the Founders' Shares will be subject to forfeiture on the fifth anniversary of the Qualifying Transaction unless the closing share price of the Class B Shares exceeds \$13.00 (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period at any time following the closing of the Qualifying Transaction.

Following completion of the Corporation's Qualifying Transaction, the Founders' Shares, including the Class B Shares into which the Founders' Shares are convertible, may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

Class B Shares - Issued and Outstanding

	Number	Amount
From incorporation on July 31, 2017	-	\$ -
Issuance of Class B Shares in connection with organization of the Corporation	1	10
Issuance of Class B Shares to Founders	3,662,109	25,000
Issuance of Class B Shares to Sponsor pursuant to Class B Units	262,188	2,425,239
	3,924,298	2,450,249
Adjusted for:		
Transaction costs	-	(162,629)
Forfeiture of Founders Class B Shares (note 1)	(227,812)	-
Balance, September 30, 2018	3,696,486	\$ 2,287,620

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

8. Shareholders' deficiency (continued)

b) Rights

As at September 30, 2018, the Corporation had 13,737,188 Rights issued and outstanding, comprised of 13,475,000 Rights forming part of the Class A Restricted Voting Units, and 262,188 Rights forming part of the Class B Units.

Each Right will entitle the holder to receive one-tenth (1/10) of a Class A Restricted Voting Share following the closing of the Qualifying Transaction (which at such time will represent one-tenth (1/10) of a Class B Share, subject to adjustment under the terms of the Qualifying Transaction).

The Rights will expire if a Qualifying Transaction does not occur within the Permitted Timeline. The Rights will not have any access to, or benefit from, the proceeds in the Escrow Account, and will not possess any redemption or distribution rights. The Rights will expire worthless if a Qualifying Transaction is not consummated within the Permitted Timeline. Any Right that has not been converted within two (2) years after the completion of our Qualifying Transaction shall be null and void.

Restrictions on Transfer of Founders' Rights

With certain exceptions, the Founders have agreed not to transfer any of their Founders' Rights until after the closing of the Qualifying Transaction, except for transfers required due to the structuring of the Qualifying Transaction, in which case such restriction will apply to the securities received in connection with the Qualifying Transaction. Following completion of the Corporation's Qualifying Transaction, the Founders' Rights, including Class B Shares issuable on exercise of the Founders' Rights, may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

9. Transaction costs

Transaction costs consist principally of legal, accounting and underwriting costs incurred through to the date of the statements of financial position that are directly related to the Offering.

Transaction costs incurred amounted to \$9,293,446 (including \$8,085,000 in underwriters' commission of which \$4,716,250 is deferred and payable only upon completion of a Qualifying Transaction). Transaction costs were expensed to the statements of operations as incurred, except for \$162,629 of transaction costs that were allocated to shareholders' deficiency as they were determined to be in respect of the issuance of Class B Shares.

Transaction costs incurred from commencement of operations on July 31, 2017 to September 30, 2018 were allocated as follows:

	Class B Shares	Statement of Operations	Shareholders' Deficiency
Underwriter's commission	\$ 58,951	\$ 3,309,799	\$ 3,368,750
Deferred underwriter's commission	82,531	4,633,719	4,716,250
Professional fees (legal, accounting, etc.)	11,693	656,510	668,203
Underwriter's out-of-pocket expenditures	2,625	147,375	150,000
Management out-of-pocket expenses	6,829	383,414	390,243
	\$ 162,629	\$ 9,130,817	\$ 9,293,446

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

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(Expressed in Canadian Dollars)

9. Transaction costs (continued)

Underwriter's commission

In consideration for its services in connection with the Offering, the Corporation has agreed to pay the underwriter a commission equal to 6.0% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The Corporation paid \$3,368,750, representing \$0.25 per Class A Restricted Voting Unit to the underwriter upon closing of the Offering. Upon completion of a Qualifying Transaction, the remaining \$4,716,250 (representing \$0.35 per Class A Restricted Voting Unit), 50% of which will be payable to the Underwriter and the remaining 50% will be payable by the Corporation at its discretion.

10. General and administrative expenses

	Year Ended September 30, 2018	Period from July 31, 2017 (date of incorporation) to September 30, 2017
Public company filing and listing costs	\$ 34,739	\$ -
Professional fees	1,027,926	-
General office expenses	113,351	-
	\$ 1,176,016	\$ -

11. Related party transactions

The Corporation has entered into an administrative services agreement with the Sponsor for an initial term of 18 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Transaction. The Corporation has agreed to pay \$10,000 per month, plus applicable taxes for such services. As at September 30, 2018, the Corporation accrued \$92,314 in respect of these services.

As at September 30, 2018, the amount due to the Sponsor was \$185,896, for out-of-pocket expenses paid by the Sponsor on behalf of the Corporation and the terms of the administrative services agreement. As at September 30, 2018, the amount payable to the CEO was \$495,564 for out-of-pocket expenses paid on behalf of the Corporation with respect to the Qualifying Transaction. The amounts due to the Sponsor are non-interest bearing and are payable no later than the date of the consummation of a Qualifying Transaction. Due to the short-term nature of this arrangement, the fair value of the amounts due to related parties approximates their carrying amount.

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in the Escrow Account are reduced to below \$10.00 per Class A Restricted Voting Share.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

11. Related party transactions (continued)

During the year ended September 30, 2018, the Corporation paid professional fees of \$29,968 to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is President. Mr. Marrelli is the Chief Financial Officer of the Corporation. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at September 30, 2018, Marrelli Support was owed \$2,932 (September 30, 2017 - \$nil) and this amount is included in accounts payable and accrued liabilities.

12. Income taxes

The income tax recovery amount on pre-tax losses differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%), as a result of the following items:

	Year Ended September 30, 2018	Period from July 31, 2017 (date of incorporation) to September 30, 2017
Loss before tax at statutory rate of 26.5%	\$(47,168,816)	\$ -
Effect on taxes of:		
Expected income tax recovery	(12,499,736)	-
Unrealized change in fair value of financial liabilities	10,015,820	-
Share issue costs booked through equity	(43,097)	-
Change in unrecognized temporary differences	2,527,013	-
Income tax recovery	\$ -	\$ -

Unrecognized deferred tax assets

Deferred income tax assets are only given recognition in the Corporation's financial statements if management has determined that it is probable that such deferred income tax assets may be recovered. The recoverability of deferred income tax assets is partially dependent on the nature, terms and conditions of a Qualifying Transaction that is to be completed in the future, causing uncertainty in the ability of the Corporation to benefit from deferred income tax assets. As such, management believes that the following deductible temporary differences do not currently meet the criteria for recognition:

As at September 30, 2018

Tax loss carry forwards	\$ 1,157,891
Deferred underwriters' commission	4,716,250
Share issue costs	3,661,757
	\$ 9,535,898

At September 30, 2018, the Corporation had estimated non-capital losses of \$1,157,891 that may be carried forward to reduce taxable income derived in future years. These non-capital losses will expire in 2038.

Transaction costs paid by the Corporation in respect of the issuance of shares, including the issuance of Class A Restricted Voting Shares, are deductible for income tax purposes on a straight line basis over a five-year period.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

13. Financial instruments

Fair value measurements

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's statements of financial position as at September 30, 2018, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the September 30, 2018 Financial Statements. These assets and liabilities have been categorized into hierarchical levels, according to the significance of the inputs used in determining fair value measurements.

	Carrying value	Fair value as at September 30, 2018		
	as at September 30, 2018	Level 1	Level 2	Level 3
	(\$)	(\$)	(\$)	(\$)
Financial assets				
Cash	703,237	703,237	-	-
Restricted cash and short-term investments held in escrow	135,683,564	135,683,564	-	-
Financial liabilities				
Class A Restricted Voting Shares subject to redemption	159,005,000	159,005,000	-	-
Warrant liability	16,359,058	16,359,058	-	-

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects of the Corporation's financial performance.

During the year, the Class A Restricted Voting Shares subject to redemption and the warrant liability were transferred from Level 2 to Level 1.

Market risk

Market risk is the risk that a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Corporation segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange rates, because of changes in market prices. The Corporation is exposed to fair value risk in respect of its Class A Restricted Voting Shares subject to redemption and Warrant liability, which are carried in the Corporation's financial statements at their fair value. A 1% increase in the fair value of Class A Restricted Voting Shares and Warrant liability would result in an increase in net loss for the year ended September 30, 2018 of \$1,753,641. A 1% decrease in the fair value of Class A Restricted Voting Shares and Warrant liability would result in a decrease in net loss for the year ended September 30, 2018 of \$1,753,641.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

September 30, 2018

(Expressed in Canadian Dollars)

13. Financial instruments (continued)

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the fixed interest rate on the Corporation's restricted cash and short-term balance held in escrow, its exposure to interest rate risk is nominal.

Currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the Corporation's presentation currency of the Canadian dollar. The Corporation does not have any significant exposure to currency risk given the majority of transactions are in Canadian dollars.

14. Capital management

(a) The Corporation defines the capital that it manages as its shareholders' deficiency, net of its Class A Restricted Voting Shares subject to redemption and Warrant liability. The following table summarizes the carrying value of the Corporation's capital as at September 30, 2018:

Shareholders' deficiency	\$(44,881,196)
Class A Restricted Voting Shares subject to redemption	159,005,000
Warrant liability	16,359,058
Balance, September 30, 2018	\$130,482,862

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise.

(b) Liquidity

As at September 30, 2018, the Corporation had \$703,237 in cash. The Corporation expects to incur significant costs in pursuit of its acquisition plans.

To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction, the Corporation may obtain such funding by way of unsecured loans from the Sponsor and/or its affiliates, subject to consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. The Sponsor would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account. Such loans would collectively be subject to a maximum principal amount of \$1,000,000 in the aggregate, and may be repayable in cash following the closing of a Qualifying Transaction and may only be convertible into Class B Shares and/or Warrants in connection with the closing of a Qualifying Transaction, subject to Exchange consent.

Otherwise, and subject to any relief granted by the Exchange, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable Exchange rules.

Cannabis Strategies Acquisition Corp.

Notes to Financial Statements

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(Expressed in Canadian Dollars)

15. Subsequent event

The Corporation announced that it has entered into definitive agreements to concurrently acquire the target businesses of Washoe Wellness, LLC (“Washoe”), The Canopy NV, LLC (“Canopy”), Sira Naturals, Inc. (“Sira”), LivFree Wellness, LLC (“LivFree”) and CannaPunch of Nevada LLC (“Cannapunch”, and collectively with Washoe, Canopy, Sira and LivFree, the “Target Businesses” or the “Anchor Portfolio”), which are intended to constitute the Corporation’s Qualifying Transaction.

The Qualifying Transaction is subject to shareholder approval and regulatory approvals.

APPENDIX B - MANAGEMENT'S DISCUSSION & ANALYSIS OF CSAC

CANNABIS STRATEGIES ACQUISITION CORP.
(A SPECIAL PURPOSE ACQUISITION CORPORATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2018
(EXPRESSED IN CANADIAN DOLLARS)

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Cannabis Strategies Acquisition Corp. ("Cannabis", "CSAC", the "Corporation", "we", "our" or "us") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the year ended September 30, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements for the Corporation for the year ended September 30, 2018, and the related notes thereto and the audited financial statements of the Corporation as at September 30, 2017 and from incorporation on July 31, 2017 to September 30, 2017, and the related notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended September 30, 2018, are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Further information about the Corporation and its operations can be obtained on www.sedar.com.

The Corporation intends to focus its search for target businesses that focus on marijuana production and/or distribution and related sectors; however, it is not limited to a particular industry or geographic region for purposes of completing its Qualifying Transaction (as defined below).

Please refer to the Corporation's final prospectus dated December 14, 2017 (the "Prospectus") for further details of the Corporation.

Please refer to the Corporation's material change report dated October 17, 2018 for further information on the Qualifying Transaction.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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Forward-looking statements	Assumptions	Risk factors
The Corporation expects to complete a Qualifying Transaction (defined below).	The Corporation expects to identify an asset or business to acquire and close a Qualifying Transaction, on terms favourable to the Corporation.	The Corporation’s inability to find a target to complete a Qualifying Transaction, within the Permitted Timeline (defined below). If we are unable to consummate our Qualifying Transaction within the Permitted Timeline, we will be required to redeem 100% of the outstanding Class A Restricted Voting Shares, as described herein.
The Corporation’s ability to meet its working capital needs at the current level for the twelve-month period ending September 30, 2019.	The operating activities of the Corporation for the twelve-month period ending September 30, 2019, and the costs associated therewith, will be consistent with the Corporation’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Corporation.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; regulatory compliance and changes in regulatory compliance and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; timing of a qualifying transaction.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Corporation’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Cannabis is a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a “Qualifying Transaction”). The Corporation’s business activities are carried out in a single business segment.

The Corporation was incorporated on July 31, 2017 under the Business Corporations Act (Ontario) and is domiciled in Canada. The registered office of the Corporation is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, M5L 1B9. The head office of the Sponsor (as defined below) is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

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On December 21, 2017, the Corporation completed its initial public offering (the "Offering") of 12,500,000 Class A Restricted Voting units (the "Class A Restricted Voting Units") at \$10.00 per Class A Restricted Voting Unit. Each Class A Restricted Voting Unit consisted of one Class A restricted voting share of the Corporation (each, a "Class A Restricted Voting Share"), one share purchase warrant of the Corporation (each, a "Warrant") and one right of the Corporation (each, a "Right"). Each Class A Restricted Voting Share, unless previously redeemed, will be automatically converted into one Class B share of the Corporation (each, a "Class B Share") following the closing of a Qualifying Transaction. All Warrants will become exercisable at a price of \$11.50 per share, commencing 65 days after the completion of a Qualifying Transaction and will expire on the day that is five years after the completion of a Qualifying Transaction or may expire earlier if a Qualifying Transaction does not occur within the permitted timeline of 18 months ("Permitted Timeline") (subject to extension, as further described herein) from the closing of the Offering or if the expiry date is accelerated. Each Warrant is exercisable to purchase one Class A Restricted Voting Share (which, following the closing of the Qualifying Transaction, will become one Class B Share) and each Right would represent the entitlement to automatically receive, for no additional consideration, one-tenth (1/10) of one Class A Restricted Voting Share (following the closing of a Qualifying Transaction, which at such time will be one-tenth (1/10) of a Class B Share). At the option of the warrant holder, the Warrants may be exercised through cashless exercise.

In connection with the Offering, the Corporation granted the underwriter a 30-day non-transferable option to purchase up to an additional 1,875,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes.

Concurrent with the completion of the Offering, Mercer Park CB, L.P. (the "Sponsor"), a limited partnership formed under the laws of the State of Delaware, indirectly controlled by Mercer Park, L.P., a privately-held family office based in New York, New York, and Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them) (collectively with the Sponsor, the "Founders") purchased an aggregate of 3,662,109 Class B Shares ("Founders' Shares"), consisting of 3,642,109 Class B Shares purchased by the Sponsor, 10,000 Class B Shares purchased by Kamaldeep Thindal, and 10,000 Class B Shares purchased by Charles Miles, in each case assuming that the over-allotment option was exercised for total proceeds of \$25,000. In addition, the Sponsor purchased an aggregate of 250,000 Class B Units of the Corporation (the "Class B Units") at \$10.00 per Class B Unit and 2,500,000 Warrants ("Founders' Warrants") at \$1.00 per Founders' Warrant. Each Class B Unit consists of one Class B Share, one Warrant and one Right. The Founders' Warrants will be subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting Units and Class B Units. The Rights underlying the Class B Units will be subject to the same terms and conditions as the Rights underlying the Class A Restricted Voting Units.

On January 19, 2018, the underwriter exercised its over-allotment option to purchase an additional 975,000 Class A Restricted Voting Units for aggregate proceeds of \$9,750,000. As a result of the exercise of the over-allotment option, an aggregate of 13,475,000 Class A Restricted Voting Units of the Corporation were issued for aggregate proceeds of \$134,750,000.

Concurrent with the exercise of the over-allotment option, the Sponsor purchased an additional 121,870 Founders' Warrants (for an aggregate purchase price of \$121,870) and 12,188 Class B Units (for an aggregate purchase price of \$121,880) for aggregate proceeds of \$243,750.

Due to the partial exercise of the over-allotment option, an aggregate of 227,812 Class B Shares (also known as Founders' Shares) were forfeited without compensation by the Founders on January 19, 2018. As a result, following the exercise of the over-allotment option and forfeiture of the 227,812 Founders' Shares, the Founders own an aggregate of 3,434,297 Class B Shares, 262,188 Class B Units and 2,621,870 Founders' Warrants.

Each Class A Restricted Voting Unit commenced trading on December 21, 2017 on the Aequitas NEO Exchange Inc. (the "Exchange") under the symbol "CSA.UN", and separated into Class A Restricted Voting Shares, Warrants and Rights following the close of business on January 30, 2018, being 40 days following

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the closing of the Offering, which trade under the symbols "CSA.A", "CSA.WT" and "CSA.RT", respectively. The Class B Shares issued to the Founders and the Class B Units issued to the Sponsor will not be listed prior to the Qualifying Transaction.

The proceeds of \$134,750,000 from the Offering and over-allotment are held by Odyssey Trust Company, as escrow agent, in an escrow account (the "Escrow Account") at a Canadian chartered bank or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the Corporation prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the Corporation to (i) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline or up to 36 months with shareholder approval from the holders of Class A Restricted Shares and the Corporation's board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the deferred underwriting commissions in the amount of \$4,716,250, 50% of which will be payable to the Underwriter and the remaining 50% will be payable by the Corporation at its discretion.

In connection with consummating a Qualifying Transaction, the Corporation will require (i) approval by a majority of the directors unrelated to the Qualifying Transaction, and (ii) approval by a majority of the holders of the Class A Restricted Voting Shares and Class B Shares, voting together as if they were a single class of shares, at a shareholders meeting held to consider the Qualifying Transaction, if required by the Exchange's rules at the time of the Qualifying Transaction. Irrespective of whether they vote for or against, or do not vote on, the proposed Qualifying Transaction, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per share price, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the escrowed funds available in the Escrow Account at the time of the shareholders meeting (if required by the rules of the Exchange at the time of the Qualifying Transaction, or if no such shareholders' meeting is required, at the time immediately prior to the redemption deposit timeline), including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by the Corporation, subject to certain limitations. Each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or any other person with whom such holder or affiliate is acting jointly or in concert, will be subject to a redemption limitation of an aggregate 15% of the number of Class A Restricted Voting Shares issued and outstanding. Class B Shares will not be redeemable in connection with a Qualifying Transaction or an extension to the Permitted Timeline and holders of Class B Shares shall not be entitled to access the Escrow Account should a Qualifying Transaction not occur within the Permitted Timeline.

If the Corporation is unable to complete its Qualifying Transaction within the Permitted Timeline (or an extension of the Permitted Timeline), all of the Class A Restricted Voting Shares will be automatically redeemed and each holder of a Class A Restricted Voting Share will receive an amount, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the Escrow Account, including any interest and other amounts earned; less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account, (ii) any taxes of the Corporation arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of \$50,000 of interest and other amounts earned to pay actual and expected expenses related to the dissolution and certain other related costs as reasonably determined by the

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Corporation. The underwriter will have no right to the deferred underwriting commissions held in the Escrow Account in such circumstances.

Overall Performance

The Corporation has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire and there were no notable events that occurred during the reporting periods presented.

During the year ended September 30, 2018, the Corporation earned interest income of \$933,564 and a loss of \$47,168,816 (\$15.97 basic and diluted loss per share). There is no comparative figures as the Corporation was inactive. The loss for the year ended September 30, 2018 primary related to transaction costs of \$9,130,817, general and administrative expenses of \$1,176,016, and net unrealized loss on changes in the fair value of financial liabilities of \$37,795,547.

Current liabilities at September 30, 2018 total \$1,492,064. Shareholders' deficiency at September 30, 2018 is comprised of share capital of \$2,287,620 (September 30, 2017 - \$10) and a deficit of \$47,168,816 for a net of \$44,881,196 (September 30, 2017 – shareholders' equity of \$10) in shareholders' deficit.

The working capital deficit, which is current assets less current liabilities, is \$484,452 at September 30, 2018 (September 30, 2017 - \$10). Management believes the Corporation's working capital deficit, if the related party payable of \$773,776 is deferred, is sufficient for the Corporation to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction.

The weighted average number of Class B Shares outstanding for the year ended September 30, 2018 was 2,953,407.

Liquidity and Capital Resources

Restricted cash and short-term investments held in escrow	September 30, 2018	September 30, 2017
Investment in Flexible Guaranteed Investment Certificate due December 21, 2018	\$125,000,000	\$nil
Investment in Flexible Guaranteed Investment Certificate due January 21, 2019	\$9,750,000	\$nil
Accrued interest	\$933,564	\$nil
Total restricted cash and short-term investments held in escrow	\$135,683,564	\$nil
Per Class A Restricted Voting Shares subject to redemption	\$10.00	\$nil
Cash held outside the Escrow Account	\$703,237	\$10

We intend to use substantially all of the funds held in the Escrow Account, including interest (which interest shall be net of taxes payable and certain expenses) to consummate a Qualifying Transaction. To the extent that, after redemptions, our share capital or debt is used, in whole or in part, as consideration to consummate a Qualifying Transaction, the remaining proceeds held in the Escrow Account may be used as working capital to finance the operations of the target business or businesses, make other acquisitions and/or pursue a growth strategy.

As at September 30, 2018, we had cash held outside of our Escrow Account of \$703,237, which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We

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expect to generate negative cash flow from operating activities in the future until our Qualifying Transaction is completed and we commence revenue generation. We currently anticipate incurring further expenses for the following purposes:

- Ability to build an institutional-quality cannabis corporation;
- Companies that have exporting expertise or abilities or that will benefit from exporting opportunities;
- Companies that will benefit from consolidation in the marijuana industry;
- Under-financed businesses to acquire or with which to partner;
- Opportunity to provide rescue financing for undercapitalized operators;
- Opportunities to form a platform for a future roll-up strategy;
- Companies that will benefit from a defined branding strategy; and
- Companies that will benefit from being a public company.

Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Transaction, with a view to preserving the Corporation's working capital.

We do not believe that we will need to raise additional funds to meet expenditures required for operating our business until the consummation of our Qualifying Transaction. We believe that we will have sufficient available funds outside of the Escrow Account to operate the business. However, we cannot be assured that this will be the case. To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction, we may seek funding by way of unsecured loans from our Sponsor and/or its affiliates, subject to the consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. Our Sponsor will not have recourse under such loans against the amounts in escrow. Such loans will collectively be subject to a maximum principal amount of \$1.0 million in the aggregate and may be repayable in cash following the closing of a Qualifying Transaction.

Selected Annual Financial Information

	Year Ended September 30, 2018 (\$)	Period from July 31, 2017 (date of incorporation) to September 30, 2017 (\$)
Revenues	-	-
Interest and other income	933,564	-
Net loss	(47,168,816)	-
Net loss per share - basic	(15.97)	-
Net loss per share - diluted	(15.97)	-

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	As at September 30, 2018 (\$)	As at September 30, 2017 (\$)
Total assets	136,691,176	10
Total non-current financial liabilities	180,080,308	nil
Distribution or cash dividends	nil	nil

- The net loss for the year ended September 30, 2018, consisted primarily of transaction costs of \$9,130,817, general and administrative of \$1,176,016, and new unrealized loss on changes in the fair value of financial liabilities of \$37,795,547. This was offset by interest income of \$933,564.
- The net loss for the period from July 31, 2017 (date of incorporation) to September 30, 2017, consisted of no activity to report.

Discussion of Operations

Year ended September 30, 2018

The Corporation's net loss totaled \$47,168,816 for the year ended September 30, 2018, with basic and diluted loss per Class B Share of \$15.97. Activities for the year ended September 30, 2018, principally related to transaction costs of \$9,130,817, general and administrative expenses of \$1,176,016 and net unrealized loss on changes in the fair value of financial liabilities of \$37,795,547.

Transaction Costs

The Corporation incurred \$9,293,446 in transaction costs associated with the Offering, including \$8,085,000 in the underwriter's commission equal to 6.0% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. Other transaction costs included professional fees, underwriter's and management out-of-pocket expenditures associated with completion of the Offering. Of the total transaction costs incurred, \$9,130,817 has been included in the September 30, 2018 Financial Statements as a transaction cost, while \$162,629 was allocated as a charge to shareholders' equity, as it was associated with the issuance of equity.

Interest Income

Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates, and we do not expect to generate any operating revenues until the closing and completion of a Qualifying Transaction. In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. In accordance with the Corporation's Prospectus and the terms of the Corporation's escrow agreement, the Corporation's restricted cash amounts are in a flexible guaranteed investment certificates due on December 21, 2018 for \$125,000,000 and January 21, 2019 for \$9,750,000. Interest income on these investments is not expected to be significant in view of current low interest rates.

During the period from commencement of operations of the Corporation on July 31, 2017 to September 30, 2018 the Corporation earned interest income of \$933,564.

General and Administrative Expenses

The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses,

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assets or properties for potential acquisition. General and administrative costs were \$1,176,016 during the year ended September 30, 2018.

Net Unrealized Gain on Changes in the Fair Value of Financial Liabilities

Certain financial instruments are recorded in the Corporation's statement of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. If the financial instrument does not trade on an active market, the Corporation will use an option-pricing model to measure the fair value of the financial instrument. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instrument. Changes in the underlying trading value or estimates may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price or option price of a financial liability may not be equal to the amount that the Corporation may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate. The Corporation recognized an unrealized loss of \$37,795,547 in its net loss for the year ended September 30, 2018.

Three months ended September 30, 2018

The Corporation's net loss totaled \$32,199,921 for the three months ended September 30, 2018, with basic and diluted loss per Class B Share of \$10.90. Activities for the three months ended September 30, 2018, principally related to transaction costs of \$nil, general and administrative expenses of \$779,551 and net unrealized loss on changes in the fair value of financial liabilities of \$31,722,967.

Interest Income

Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates, and we do not expect to generate any operating revenues until the closing and completion of a Qualifying Transaction. In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. In accordance with the Corporation's Prospectus and the terms of the Corporation's escrow agreement, the Corporation's restricted cash amounts are in a flexible guaranteed investment certificates due on December 21, 2018 for \$125,000,000 and January 21, 2019 for \$9,750,000. Interest income on these investments is not expected to be significant in view of current low interest rates.

During the three months ended September 30, 2018, the Corporation earned interest income of \$302,597.

General and Administrative Expenses

The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition. General and administrative costs were \$799,551 during the three months ended September 30, 2018.

Net Unrealized Gain on Changes in the Fair Value of Financial Liabilities

Certain financial instruments are recorded in the Corporation's statement of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. If the financial instrument does not trade on an active market, the Corporation will use an option-pricing model to measure the fair value of the financial instrument. Application of the option-pricing model requires estimates in

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expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instrument. Changes in the underlying trading value or estimates may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price or option price of a financial liability may not be equal to the amount that the Corporation may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate. The Corporation recognized an unrealized loss of \$31,722,967 in its net loss for the three months ended September 30, 2018.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Proposed Transactions

The Corporation announced that it has entered into definitive agreements to concurrently acquire the target businesses of Washoe Wellness, LLC ("Washoe"), The Canopy NV, LLC ("Canopy"), Sira Naturals, Inc. ("Sira"), LivFree Wellness, LLC ("LivFree") and CannaPunch of Nevada LLC ("Cannapunch", and collectively with Washoe, Canopy, Sira and LivFree, the "Target Businesses" or the "Anchor Portfolio"), which are intended to constitute the Corporation's Qualifying Transaction.

Aggregate consideration for the Qualifying Transaction payable by the Corporation will be comprised of a combination of cash, equity and debt, as follows: (i) approximately US\$75.92 million in cash, which equals approximately \$99 million as at October 17, 2018; (ii) the issuance of approximately 7.6 million Class B Shares (upon the exchange of an equal number of Exchangeable Shares (as defined below)); and (iii) the issuance of promissory notes in an aggregate amount of approximately US\$43.64 million, which equals \$57 million as at October 17, 2018. As part of the Qualifying Transaction, the Corporation intends to issue approximately 7.6 million exchangeable shares of a wholly-owned Nevada subsidiary (the "Exchangeable Shares") to the vendors of the Target Businesses, which are exchangeable on a one-for-one basis, for Class B Shares of the Corporation at the option of the holder, subject where applicable to certain contractual lock-up restrictions, and are designed to be economically equivalent (without taking into account tax consequences) to the Class B Shares. True-up provisions apply in certain cases.

The Qualifying Transaction is subject to shareholder approval and regulatory approvals.

Related Party Transactions

The Corporation has entered into an administrative services agreement with the Sponsor for an initial term of 18 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Transaction. The Corporation has agreed to pay \$10,000 per month, plus applicable taxes for such services. As at September 30, 2018, the Corporation accrued \$92,314 in respect of these services.

As at September 30, 2018, the amount due to the Sponsor was \$185,896, for out-of-pocket expenses paid by the Sponsor on behalf of the Corporation and the terms of the administrative services agreement. As at September 30, 2018, the amount payable to the CEO was \$495,564 for out-of-pocket expenses paid on behalf of the Corporation with respect to the Qualifying Transaction. The amounts due to the Sponsor are unsecured, non-interest bearing and are payable no earlier than the date of the consummation of a

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Qualifying Transaction, with no recourse against the funds held in the Escrow Account. Due to the short-term nature of this arrangement, the fair value of the amounts due to related parties approximates their carrying amount.

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in the Escrow Account are reduced to below \$10.00 per Class A Restricted Voting Share.

During the year ended September 30, 2018, the Corporation paid professional fees of \$29,968 to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is President. Mr. Marrelli is the Chief Financial Officer of the Corporation. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at September 30, 2018, Marrelli Support was owed \$2,932 (September 30, 2017 - \$nil) and this amount is included in accounts payable and accrued liabilities.

Selected Quarterly Information

A summary of selected information for each of the quarters presented below is as follows:

Three Months Ended	Net Revenues (\$)	Net Loss	
		Total (\$)	Basic and Diluted Loss per Class B Share (\$) ⁽⁵⁾
September 30, 2018	-	(32,199,921) ⁽⁴⁾	(10.90)
June 30, 2018	-	(7,186,878) ⁽³⁾	(1.94)
March 31, 2018	-	125,234 ⁽²⁾	0.03
December 31, 2017	-	(7,907,251) ⁽¹⁾	(11.23)
July 31, 2017 to September 30, 2017	-	nil	(0.00)

Notes:

⁽¹⁾ During the three months ended December 31, 2017, the Corporation earned interest income of \$30,822 and reported a loss of \$7,907,251 (\$11.23 basic and diluted loss per Class B Share). The loss in the current period primary related to transaction costs of \$8,546,051, general and administrative expenses of \$17,022 and net unrealized gain on changes in the fair value of financial liabilities of \$625,000.

⁽²⁾ During the three months ended March 31, 2018, the Corporation earned interest income of \$294,076 and reported income of \$125,234 (\$0.03 basic and diluted loss per Class B Share). The income in the current period primary related to transaction costs of \$584,766, general and administrative expenses of \$200,808 and net unrealized gain on changes in the fair value of financial liabilities of \$616,732.

⁽³⁾ During the three months ended June 30, 2018, the Corporation earned interest income of \$306,069 and reported a loss of \$7,186,878 (\$1.94 basic and diluted loss per Class B Share). The loss in the current period primary related to transaction costs of \$nil, general and administrative expenses of \$178,635 and net unrealized loss on changes in the fair value of financial liabilities of \$7,314,312.

⁽⁴⁾ During the three months ended September 30, 2018, the Corporation earned interest income of \$302,597 and reported a loss of \$32,199,921 (\$10.90 basic and diluted loss per Class B Share). The loss in the

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current period primary related to transaction costs of \$nil, general and administrative expenses of \$779,551 and net unrealized loss on changes in the fair value of financial liabilities of \$31,722,967.

⁽⁵⁾ Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

New standards not yet adopted and interpretations issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments ("IFRS 9") is effective for the Corporation on October 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

Based on the Corporation's assessment, the Corporation has determined that this standard will not have a significant impact on its financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") is effective for the Corporation on January 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

Based on the Corporation's assessment, the Corporation has determined that this standard will not have a significant impact on its financial statements.

Accounting Policies and Critical Accounting Estimates

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and items in net income or loss and the related disclosure of contingent assets and liabilities. Critical accounting estimates

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represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in note 4 to the September 30, 2018 Financial Statements.

Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109, *"Certification of Disclosure in Issuer's Annual and Interim Filings"*.

Under their supervision, the Chief Executive Officer and Chief Financial Officer have implemented disclosure controls and procedures and internal controls over financial reporting appropriate for the nature of operations of the Corporation. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's design of its internal controls over financial reporting is based on the principles set out in the *"Internal Control – Integrated Framework (2013)"* issued by *The Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

The Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying certain matters with respect to the design of disclosure controls and procedures and the design of internal control over financial reporting as at September 30, 2018.

Share Capital

As of the date of this MD&A, the Corporation had 13,475,000 Class A Restricted Voting Shares of the Corporation issued and outstanding. In addition the Corporation had an aggregate of 3,434,298 Class B Shares, 262,188 Class B Units, 16,359,058 Warrants and 13,737,188 Rights issued and outstanding.

Subsequent Event

See "Proposed Transactions" above.

Outlook

For the immediate future, the Corporation intends to identify and evaluate potential Qualifying Transactions. The Corporation continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

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Financial Instruments

Fair value measurements

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's statement of financial position as at September 30, 2018, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the September 30, 2018 Financial Statements. These assets and liabilities have been categorized into hierarchal levels, according to the significance of the inputs used in determining fair value measurements.

	Carrying value as at September 30, 2018 (\$)	Level 1 (*) (\$)	Level 2 (*) (\$)	Level 3 (*) (\$)
Financial assets				
Cash	703,237	703,237	nil	nil
Restricted cash and short-term investments in escrow	135,683,564	135,683,564	nil	nil
Financial liabilities				
Class A Restricted Voting Shares subject to redemption	159,005,000	159,005,000	nil	nil
Warrants	16,359,058	16,359,058	nil	nil

(*) Fair values as at September 30, 2018

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects of the Corporation's financial performance.

During the year, the Class A Restricted Voting Shares subject to redemption and the warrant liability were transferred from Level 2 to Level 1.

Market risk

Fair value risk

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange rates, because of changes in market prices. The Corporation is exposed to fair value risk in respect of its Class A Restricted Voting Shares subject to redemption and warrant liability, which are carried in the Corporation's financial statements at their fair value. A 1% increase in the fair value of Class A Restricted Voting Shares and warrant liability would result in an increase in net loss for the year ended September 30, 2018 of \$1,753,641. A 1% decrease in the fair value of Class A Restricted Voting Shares and warrant liability would result in a decrease in net loss for the year ended September 30, 2018 of \$1,753,641.

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Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the fixed interest rate on the Corporation's restricted cash and short-term balance held in escrow, its exposure to interest rate risk is nominal.

Currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the Corporation's presentation currency of the Canadian dollar. The Corporation does not have any significant exposure to currency risk given the majority of transactions are in Canadian dollars.

Capital Management

(a) The Corporation defines the capital that it manages as its shareholders' deficiency, net of its Class A Restricted Voting Shares subject to redemption and Warrants. The following table summarizes the carrying value of the Corporation's capital as at September 30, 2018:

	\$
Shareholders' deficiency	(44,881,196)
Class A Restricted Voting Shares subject to redemption	159,005,000
Warrant liability	16,359,058
Balance, September 30, 2018	130,482,862

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise.

(b) Liquidity

As at September 30, 2018, the Corporation had \$703,237 in cash. The Corporation expects to incur significant costs in pursuit of its acquisition plans.

To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction, the Corporation may obtain such funding by way of unsecured loans from the Sponsor and/or its affiliates, subject to consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. The Sponsor would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account. Such loans would collectively be subject to a maximum principal amount of \$1,000,000 in the aggregate, and may be repayable in cash following the closing of a Qualifying Transaction and may only be convertible into Class B Shares and/or Warrants in connection with the closing of a Qualifying Transaction, subject to Exchange consent.

Otherwise, and subject to any relief granted by the Exchange, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable Exchange rules.

Risk Factors

The following are certain factors relating to the business of CSAC. These risks and uncertainties are not the only ones facing CSAC. In addition, please see the information under the section entitled "Risk Factors" provided in the Prospectus. The following information is a summary only of certain risk factors. Additional risks and uncertainties not presently known to CSAC or currently deemed immaterial by CSAC may also impair the operations of CSAC. If any such risks actually occur, shareholders of CSAC could lose all or part of their investment and CSAC and the ability of CSAC to implement its growth plans could be adversely affected.

The acquisition of any of the securities of CSAC is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of CSAC should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. CSAC's shareholders should evaluate carefully the following risk factors associated with CSAC's securities.

While legal under applicable U.S. State law, CSAC's targets' business activities are illegal under U.S. federal law.

Investors are cautioned that in the United States, cannabis is largely regulated at the State level. To CSAC's knowledge, some form of cannabis has been legalized in 31 U.S. states (each a "State"), the District of Columbia, Guam and Puerto Rico as of October 2018. Additional States have pending legislation regarding the same. Although each State in which CSAC will operate authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the U.S. *Controlled Substances Act* (the "Substances Act"). The concepts of "medical cannabis", "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. The Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. Although CSAC believes that the business activities of the Target Businesses are compliant with applicable U.S. State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve CSAC or the Target Businesses of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against CSAC. Any such proceedings brought against CSAC or the Target Businesses may result in a material adverse effect on CSAC.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, CSAC may be deemed to be aiding and abetting illegal activities. The Target Businesses manufacture and/or distribute medical and adult-use cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against CSAC or the Target Businesses, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the Department of Justice, under the current administration, could allege that CSAC has "aided and abetted" violations of federal law by providing financing and services to the Target Businesses. Under these circumstances, the federal prosecutor could seek to seize the assets of CSAC, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, CSAC's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may

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be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on CSAC.

U.S. Customs and Border Protection (“**CBP**”) enforces the laws of the United States. Crossing the border while in violation of the Substances Act and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in CSAC, if it became known to CBP, could have an impact on a shareholder’s admissibility into the United States and could lead to a lifetime ban on admission.

The Target Businesses derive 100% of their revenues from the cannabis industry in certain States, which industry is illegal under U.S. federal law. While the Target Businesses’ business activities are believed to be compliant with applicable State and local law, such activities remain illegal under U.S. Federal law. The enforcement of relevant laws is a significant risk.

Medical cannabis has been and is currently protected against enforcement by enacted legislation from the U.S. Congress in the form of the Rohrabacher-Blumenauer Amendment, which prevents Federal prosecutors from using Federal funds to impede the implementation of medical cannabis laws enacted at the State-level, subject to Congress restoring such funding. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of the Sessions Memo on January 4, 2018 (the “Sessions Memo”), the U.S. Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment has remained in effect by virtue of a continuing resolution under which the entire 2018 budget is currently operating. The current continuing resolution is effective through December 7, 2018, at which time Congress must either pass an omnibus appropriations bill for fiscal year 2019 or pass another continuing resolution of the 2018 budget, or it will face a shutdown of the Federal government, at which time the Leahy Amendment would no longer be in effect. The Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes. Should the Leahy Amendment expire and not be renewed, there can be no assurance that the Federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon CSAC or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on CSAC, even if such proceedings were concluded successfully in favour of CSAC.

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

Prohibition on public company ownership under local law.

At least one U.S. county currently prohibits the ownership of cannabis businesses by public companies. If other U.S. counties or localities have adopted or adopt a similar prohibition this could limit CSAC's ability to expand.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflicting views between State legislatures and the Federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memo addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the Federal level in the United States, several States have enacted laws relating to cannabis for medical purposes.

The Cole Memo outlined certain priorities for the Department of Justice ("DOJ") relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the Federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memo standard.

In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited Federal resources and acknowledged that much of the Cole Memo had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued the Sessions Memo, which rescinded the Cole Memo. The Sessions Memo rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing Federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the USAM and require Federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including Federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memo, Federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with Federal prohibitions. No direction was given to Federal prosecutors in the Sessions Memo as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active Federal prosecutors will be in relation to such activities.

As discussed above, should the Rohrabacher-Leahy Amendment not be renewed, there can be no assurance that the Federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law.

Due to the ambiguity of the Sessions Memo in relation to medical and adult-use cannabis, there can be no assurance that the Federal government will not seek to prosecute cases involving medical or adult-use cannabis businesses that are otherwise compliant with State law.

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Such potential proceedings could involve significant restrictions being imposed upon CSAC or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on CSAC, as well as CSAC's reputation, even if such proceedings were concluded successfully in favour of CSAC. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of CSAC or the seizure of corporate assets; however as of the date hereof, CSAC believes that proceedings of this nature are remote.

There is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the Federal laws. CSAC regularly monitors the activities of the current administration in this regard.

Risk of legal, regulatory or other political change.

The success of the business strategy of CSAC depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To CSAC's knowledge, some form of cannabis has been legalized in 31 States, the District of Columbia, Guam and Puerto Rico as of October 2018; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting CSAC's business, results of operations, financial condition or prospects.

Delays in enactment of new State or Federal regulations could restrict the ability of CSAC to reach strategic growth targets. The growth strategy of CSAC is contingent upon certain Federal and State regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of CSAC, and thus, the effect on the return of investor capital, could be detrimental. CSAC is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that State laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of State laws within their respective jurisdictions, including prohibiting ownership of cannabis businesses by public companies. If the Federal government begins to enforce Federal laws relating to cannabis in States where the sale and use of cannabis is currently legal, or if existing applicable State laws are repealed or curtailed, CSAC's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect CSAC's continued operations. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable marijuana legislation could adversely affect CSAC and its business, results of operations, financial condition and prospects.

CSAC is also aware that multiple States are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other States are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon CSAC's business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the State and Federal level. The inability of CSAC to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

CSAC's operations in the U.S. cannabis market may become the subject of heightened scrutiny.

For the reasons set forth above, CSAC's operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, CSAC may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on CSAC's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with cannabis in the U.S., CDS Clearing and Depository Services Inc. ("**CDS**"), Canada's central securities depository, may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the U.S. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with the Exchange, the Canadian Stock Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of CSAC shares to make and settle trades. In particular, CSAC shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of CSAC shares through the facilities of a stock exchange.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memo discussed above, on February 8, 2018, the Canadian Securities Administrators revised their previously released CSA Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. CSAC views the Staff Notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as CSAC's ability to pursue further investment and opportunities in CSAC.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical and/or adult-use cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new State jurisdictions into which CSAC could expand. Any inability to fully implement CSAC's expansion strategy may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

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

CSAC's business activities rely on newly established and/or developing laws and regulations in the various

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States in which CSAC operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect CSAC's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration ("FDA"), Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other Federal, State or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical and/or adult-use purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding CSAC's industry may adversely affect the business and operations of CSAC, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of CSAC or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in CSAC.

CSAC's investments in the U.S. are subject to applicable anti-money laundering laws and regulations.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of Federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under Federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the Substances Act. As a result, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of CSAC.

In February 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued the FCEN Memo providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of Federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to Federal prosecutors in the now repealed 2014 Cole Memo relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Substances Act. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

In the event that any of CSAC's or the Target Businesses' operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of CSAC to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while CSAC has no current intention to declare or pay dividends on the CSAC Shares in the foreseeable future, in the event that a determination was made that CSAC's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, CSAC may decide or

be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

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

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, and the resulting re-classification would result in the requirement for FDA approval if medical claims are made for CSAC's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the Drug Enforcement Administration ("DEA"). In that case, CSAC may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of CSAC's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on CSAC's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

CSAC may be subject to the risk of civil asset forfeiture.

Because the cannabis industry remains illegal under U.S. Federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

CSAC may lack of access to U.S. bankruptcy protections.

Because the use of cannabis is illegal under Federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If CSAC or the Target Businesses were to experience a bankruptcy, there is no guarantee that U.S. Federal bankruptcy protections would be available, which could have a material adverse effect on CSAC.

CSAC may be subject to the risk of an inability to enforce its contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a Federal level, judges in multiple States have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate Federal law, even if there is no violation of State law. There remains doubt and uncertainty that CSAC will be able to legally enforce contracts it enters into if necessary. CSAC cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on CSAC.

CSAC may be subject to the risk of changes in Canadian laws or regulations, or a failure to comply with any such laws and regulations.

CSAC is subject to laws and regulations enacted by the Federal and provincial governments of Canada. In particular, CSAC will be required to comply with certain Canadian securities law, income tax law and the Exchange and other legal and regulatory requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on CSAC business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could result in a material adverse effect on CSAC.

CSAC is subject to general regulatory and licensing risks.

The Target Businesses are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of CSAC's business objectives are contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of CSAC may result in a material adverse effect on CSAC.

The Target Businesses are required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Target Businesses' part. The duration and success of the Target Businesses' efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Target Businesses may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Target Businesses. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Target Businesses may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on CSAC.

Several of the licenses held by the Target Businesses are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations.

While CSAC believes that the Target Businesses' compliance controls have been developed to mitigate the risk of any material violations of any licenses they hold arising, there is no assurance that the Target Businesses' licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Target Businesses could impede the ongoing or planned operations of the Target Businesses and have a material adverse effect on CSAC.

CSAC or the Target Businesses may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm CSAC's or the Target Businesses' reputation, require CSAC or the Target Businesses to take, or refrain from taking, actions that could harm its operations or require CSAC

or the Target Businesses to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on CSAC.

Limitations on ownership of licenses.

In certain States, the cannabis laws and regulation limit, not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person may have an ownership interest, or control over, more than three license holders in any category – cultivation, processing or dispensing. CSAC believes that, where such restrictions apply, it may still capture significant share of revenue in the market through the provision of management or support services and similar arrangement with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain States may limit CSAC's ability to grow organically or to increase its market share in such States. In Henderson, Nevada, public company ownership of a licensee is currently restricted. If not changed, this may prevent a portion of the LivFree transaction.

Regulatory action and approvals from the Food and Drug Administration.

The Target Business' cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Target Businesses' cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Food, Drug and Cosmetic Act ("FDCA").

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Target Businesses could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Target Businesses' production or distribution of its products. Any such event could have a material adverse effect on CSAC.

**APPENDIX C - LIVFREE AUDITED FINANCIAL STATEMENTS
(NINE MONTHS ENDED SEPTEMBER 30, 2018)**

LIVFREE WELLNESS LLC
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD FROM
JANUARY 1, 2018 TO SEPTEMBER 30, 2018
(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

LIVFREE WELLNESS LLC
Consolidated Financial Statements
September 30, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Members of LivFree Wellness LLC:

The accompanying consolidated financial statements and other financial information in this report were prepared by management of LivFree Wellness LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditors, Macias Gini & O'Connell LLP, and their report is presented herein.

November 30, 2018

"Steve Menzies" (signed)
Managing Member

"Timothy Harris" (signed)
Chief Financial Officer



Independent Auditor's Report

To the Members of LivFree Wellness LLC

We have audited the accompanying financial statements of LivFree Wellness LLC (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2018 and the consolidated statement of operations, changes in members' equity and cash flows for the period from January 1, 2018 to September 30, 2018 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

(continues)

Independent Auditor's Report to the Members of LivFree Wellness LLC *(continued)*

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of LivFree Wellness LLC as at September 30, 2018, and its consolidated financial performance and its cash flows for the period from January 1, 2018 to September 30, 2018, in accordance with International Financial Reporting Standards.

San Diego, California
November 30, 2018

LIVFREE WELLNESS LLC
Consolidated Statements of Financial Position
At September 30, 2018

	September 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current		
Cash	1,591,393	898,658
Inventory [Note 4]	1,798,799	1,396,981
Due from a related corporation	250,000	590,495
Prepaid expenses and other assets	259,147	148,224
	3,899,339	3,034,358
Property, plant and equipment [Note 5]	1,630,195	1,390,530
Investment in associate [Note 6]	3,899,934	1,586,966
Total assets	9,429,468	6,011,854
LIABILITIES		
Current		
Trade payables	316,652	133,849
Accrued liabilities	611,396	558,305
Distributions payables	-	1,980,000
Debt payable - current portion [Note 7]	240,000	220,000
	1,168,048	2,892,154
Debt payable - Non-current portion [Note 7]	40,000	240,000
Total liabilities	1,208,048	3,132,154
MEMBERS' EQUITY	8,221,420	2,879,700
Total liabilities and members' equity	9,429,468	6,011,854

Nature of operations [Note 1]

Commitments and contingencies [Note 12]

Subsequent events [Note 16]

Approved and authorized by the Board of Directors on November 30, 2018

“Steve Menzies” (signed)
 Managing Member

“Timothy Harris” (signed)
 Chief Financial Officer

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

LIVFREE WELLNESS LLC
Consolidated Statements of Operation
For the Period from January 1, 2018 to September 30, 2018

	Nine Months Ended September 30, 2018 [Note 17] \$	Year Ended December 31, 2017 \$
Revenues, net of discounts	23,946,093	14,465,998
Cost of goods sold	14,964,558	9,254,267
Gross profit	8,981,535	5,211,731
Expenses		
General and administrative [Note 12]	2,748,346	2,421,520
Sales and marketing	363,791	299,681
Depreciation [Note 6]	140,646	145,099
Total expenses	3,252,783	2,866,300
Net income from operations	5,728,752	2,345,431
Other (income) expense		
Share of income on equity investments [Note 7]	(912,968)	(586,966)
Other expense	-	4,043
Total other (income) expense	(912,968)	(582,923)
Net income	6,641,720	2,928,354

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

LIVFREE WELLNESS LLC
Consolidated Statements of Changes in Members' Equity
For the Period from January 1, 2018 to September 30, 2018

	Members' Equity \$
Balance as at December 31, 2016	1,143,139
Contribution [Note 9]	788,207
Distributions	(1,980,000)
Net income for the year	2,928,354
Balance as at December 31, 2017	2,879,700
Distributions	(1,300,000)
Net income for the period	6,641,720
Balance as at September 30, 2018	8,221,420

The accompanying notes are in integral part of these consolidated financial statements.

LIVFREE WELLNESS LLC
Consolidated Statements of Cash Flows
For the Period from January 1, 2018 to September 30, 2018

	Nine Months Ended September 30, 2018 [Note 17] \$	Year Ended December 31, 2017 \$
Operating activities		
Net income	6,641,720	2,928,354
<i>Adjustments for items not affecting cash:</i>		
Depreciation	140,646	145,099
Share of income on equity investments	(912,968)	(586,966)
Loss on disposal of property, plant and equipment	-	4,043
<i>Changes in working capital items:</i>		
Inventory	(401,818)	(1,198,265)
Due from a related corporation	340,495	(563,518)
Prepaid expenses and other assets	(110,923)	(12,105)
Trade payables	182,803	133,849
Accrued liabilities	53,091	434,737
Cash provided by operating activities	5,933,046	1,285,228
Investing activities		
Investment in associate	(1,400,000)	(1,000,000)
Purchase of property, plant and equipment	(380,311)	(248,481)
Cash used in investing activities	(1,780,311)	(1,248,481)
Financing activities		
Repayment of debt issuances	(180,000)	-
Contribution	-	788,207
Distributions	(3,280,000)	-
Cash used in financing activities	(3,460,000)	788,207
Net increase in cash	692,735	824,954
Cash, beginning of period/year	898,658	73,704
Cash, end of period/year	1,591,393	898,658
Non-Cash Supplementary Information		
Distributions payable	-	(1,980,000)

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

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

1. NATURE OF OPERATIONS

LivFree Wellness LLC (“LivFree” or the “Company”) [formerly LivFree Wellness Reno LLC (“Reno”)] was incorporated as a Limited Liability Company on July 16, 2014 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 5347 S. Decatur Blvd Las Vegas NV 89118.

Before April 29 2016, Reno, 401 Investments LLC (“401”) and LivFree Wellness LLC (“Wellness”) were the three operative Domestic Limited liability Companies in Nevada. 401, which was co-owned by multiple investors, was the sole owner of Wellness and owned majority stake in Reno. On April 29, 2016, with consent from all parties involved, 401 and Wellness were dissolved and merged into Reno (being the sole surviving entity), where after, Reno was renamed as LivFree Wellness LLC.

This transaction has been accounted for using common control merger accounting by applying predecessor value method. A predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values.

The Company’s principal activities are buying and selling of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issue by the Board of Directors of the Company on November 30, 2018.

2.2 Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The financial statements are presented in US dollars which is the presentation and functional currency of the Company.

These financial statements cover a period from January 1, 2018 to September 30, 2018, and are prepared for the purpose of submission to regulatory authorities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries Billco Holdings, LLC (“Billco”) and BP Solutions LLC (“BP”), Limited Liabilities Companies, incorporated in the state of Nevada. The results of subsidiaries acquired or disposed of during the year is included in the condensed interim consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation. The financial statements of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.3 Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Leasehold improvements – the shorter of the useful life or life of the lease
- Furniture and fixtures – 10 years
- Office and equipment – 3-5 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of income.

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.4 Taxation

The Company is considered a Limited Liability Company for income tax purposes, for the period ended September 30, 2018. Therefore, the Company’s taxable income is allocated to the members for inclusion on their respective income tax returns.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Taxation (continued)

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

3.5 Financial instruments

All financial instruments are recognized when the Company becomes party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables (“L&R”)
- financial instruments at fair value through profit or loss (“FVTPL”)
- held-to-maturity investments
- available-for-sale assets (“AFS”)
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, described below.

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income (loss) until the asset is removed from the statements of financial position.

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance.

See Note 13 - Financial Risk factors for the details of their classification.

3.6 Impairment of non-financial assets

At each date of the statements of financial position, the Company reviews the carrying amounts of its long lived assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Inventory

Inventories purchased from third parties represent finished goods that are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. At September 30, 2018 there were no reserves for inventories required.

3.8 Cash

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.10 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, income, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates and judgments:

- (a) Estimated useful lives and depreciation of property, plant and equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of three months to prepare for their intended use.

3.14 Investment in associates

An associate is an entity over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy of the investee but without control or joint control over those policies. Interests in associates are accounted for using the equity method, and are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of income and distributions of the investee. The carrying value of associates is assessed for impairment at each balance sheet date. Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those decisions. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investees in which the Company has joint control and rights to the net assets thereof, are defined as joint ventures. The Company has assessed that it has joint control over its investment in JDSS Investments LLC.

Investees in which the Company has significant influence are accounted for using the equity method. The Company's interest in an investee is initially recorded at cost and is subsequently adjusted for the Company's share of changes in net assets of the investee, less any impairment in the value of individual investments, less any dividends paid. Where the Company transacts with an investee, unrealized profits and losses are eliminated to the extent of the Company's interest in that investee.

4. CHANGES IN ACCOUNTING STANDARDS

Changes in accounting standards adopted

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards adopted (continued)

IFRS 9 - Financial instruments (continued)

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. The Company adopted IFRS 15 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its financial statements and plans to adopt the requirements in 2019.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

5. INVENTORY

Inventory comprised of finished goods.

Inventories expensed as cost of goods sold during the period ended September 30, 2018 and year ended December 31, 2017, are \$12,815,093 and \$7,335,444 respectively.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Machinery & equipment	Total
	\$	\$	\$	\$	\$
Cost					
As at December 31, 2016	1,327,313	14,208	9,096	-	1,350,617
Additions	187,446	15,053	25,078	20,905	248,482
Disposals	-	-	(9,096)	-	(9,096)
As at December 31, 2017	1,514,759	29,261	25,078	20,905	1,590,003
Additions	308,968	27,344	67,026	3,232	406,570
Disposals	-	-	-	-	-
As at September 30, 2018	1,823,727	56,605	92,104	24,137	1,996,573
Depreciation					
As at December 31, 2016	56,746	408	2,274	-	59,428
Depreciation	134,215	3,262	7,622	-	145,099
Disposals	-	-	(5,054)	-	(5,054)
As at December 31, 2017	190,961	3,670	4,842	-	199,473
Depreciation	119,686	4,949	12,443	3,567	140,645
Disposals	-	-	-	-	-
As at Septmeber 30, 2018	310,647	8,619	17,285	3,567	340,118
Net book value					
As at December 31, 2017	1,323,798	25,591	20,236	20,905	1,390,530
As at September 30, 2018	1,513,080	47,986	74,819	20,570	1,656,455

Depreciation expense for the period ended September 30, 2018 and year ended December 31, 2017 of \$140,646 and \$106,303, respectively, is included in cost of goods sold.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

7. INVESTMENT IN ASSOCIATE

Pursuant to Membership Interest Purchase and Sale Agreement dated November 9, 2017, the Company acquired 50% membership interest in JDSS Investments LLC. Management has concluded that the current investment is to be accounted for as an investment in associate using the equity method as detailed below:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, at beginning	1,586,966	-
Additions	1,400,000	1,000,000
Share of income	912,968	586,966
Balance, at end	3,899,934	1,586,966

The following table presents a summary of statement of financial position and statement of operations of the investee:

	September 30, 2018	December 31, 2017
	\$	\$
Current assets	4,148,661	529,714
Non-current assets	2,855,927	3,004,653
Current liabilities	140,700	80,636
Revenue	3,545,538	1,263,372
Income	2,443,494	419,397

8. DEBT PAYABLE

Effective December 12, 2014, the Company obtained a loan of \$460,000 from a third party. The loan was unsecured, carried no interest and there was no repayment term.

On January 16, 2018, the Company entered into Settlement Agreement (the "Agreement") with the debt holder and one of its existing members for the repayment of debt in accordance with an agreed repayment schedule. The Company agreed to pay \$20,000 within 30 days from the execution of this Agreement and the remaining balance to be paid in 22 equal monthly payments of \$20,000. The current and non-current portion of the debt has been classified in accordance with the agreed repayment schedule.

The details of debt payable are as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Loan payable to a third party	280,000	460,000
Less: Current portion	(240,000)	(220,000)
Debt payable - Non-current portion	40,000	240,000

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

8. DEBT PAYABLE (continued)

As at September 30, 2018, the maturity profile of the debt was as follows:

Year ending December 31	\$
2019	240,000
2020	40,000
	280,000

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the financial statements, related party transactions and balances are as follows:

During the nine months ended September 30, 2018 and 2017, purchases of harvested cannabis totaling \$1,115,981 and \$nil, respectively, from a related party is included in cost of goods sold.

No compensation was paid to key management for the period ended September 30, 2018 and year ended December 31, 2017.

10. MEMBERS' EQUITY

During the nine months September 30, 2018 and the year ended December 31, 2017, the members of the Company contributed in cash amounting to \$ nil and \$788,207, respectively.

During the nine months September 30, 2018 and the year ended December 31, 2017, the distributions to the members of the Company in cash amounted to \$1,300,000 and \$nil, respectively.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements. As at September 30, 2018 and December 31, 2017, the capital of the Company was \$9,035,808 and \$3,694,088, respectively.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the Members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

12. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	September 30, 2018	December 31, 2017
	\$	\$
Salaries and benefits	1,426,280	1,283,492
Rent [Notes 10 & 13]	304,467	252,285
Taxes and licenses	52,957	21,681
Professional and consulting fees	467,945	323,340
Insurance	127,023	94,686
Office expenses	128,689	187,764
Utilities	67,110	45,228
Others	173,875	213,044
	2,748,346	2,421,520

13. COMMITMENTS AND CONTINGENCIES

Operating leases

Pursuant to various lease agreements, the Company conducted operations in facilities leased from third parties and a related party. The leases expire through 2012 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
2018 (3 months)	54,137
2019	226,901
2020	237,900
2021	90,496
	609,434

Total rent expensed for the period ended September 30, 2018 and year ended December 31, 2017, were \$304,467 and \$252,285, respectively.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

13. COMMITMENTS AND CONTINGENCIES (continued)

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

The Company notified one of its members that the member's interests were being mandatorily redeemed under the terms of the relevant operating agreements. The matter was brought to arbitration where the Company prevailed. Subsequently, on March 5, 2015, the parties reached a resolution and the member entered into an Assignment Agreement (the "Agreement"), whereby the Company agreed to pay \$200,000 in exchange for the member's interest in the Company.

An affiliate of the Company engaged a contractor to determine if a site met the requirements for a new grow facility. Based on the survey done by the contractor the Company proceeded with the purchase and incurred a loss when the site was subsequently determined not to be suitable. The Company filed a claim with the contractor's insurer to recover its losses and commenced litigation when the insurer refused to pay any portion of the claim. The Company's legal counsel has indicated a likely recovery of \$250,000 paid by the Company before the site was found not to be suitable.

14. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, due from a related corporation, trade payables and accrued liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

14. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	FVTOCI	AC	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Cash	1,591,393	-	-	1,591,393	1,591,393
Due from a related corporation	250,000	-	-	250,000	250,000
	1,841,393	-	-	1,841,393	1,841,393
December 31, 2017					
Cash	898,658	-	-	898,658	898,658
Due from a related corporation	590,495	-	-	590,495	590,495
	1,489,153	-	-	1,489,153	1,489,153

Financial liabilities	Carrying values			Fair values	
	FVTPL	AC	Total	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Trade payables	-	316,652	316,652	316,652	316,652
Accrued liabilities	-	611,396	611,396	611,396	611,396
Distributions payable	-	-	-	-	-
Debt payable	-	280,000	280,000	280,000	280,000
	-	1,208,048	1,208,048	1,208,048	1,208,048
December 31, 2017					
Trade payables	-	133,849	133,849	133,849	133,849
Accrued liabilities	-	558,305	558,305	558,305	558,305
Distributions payable	-	1,980,000	1,980,000	1,980,000	1,980,000
Debt payable	-	460,000	460,000	460,000	460,000
	-	3,132,154	3,132,154	3,132,154	3,132,154

The Company’s financial instruments as at September 30, 2018 and December 31, 2017 are classified as “Level 1 - quoted prices in active markets” is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Period from January 1, 2018 to September 30, 2018

14. FINANCIAL RISK FACTORS (continued)

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and company risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and due from a related corporation. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$1,841,393 and \$1,489,153 respectively.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of two years.

15. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At September 30, 2018 the Company's operations comprise a single reporting operating and geographical segment engaged in buying and selling of cannabis.

16. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 30, 2018, the date the financial statements were issued, and determined the following event:

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

17. COMPARATIVE FIGURES

As explained in Note 2, these financial statements are prepared for the purpose of submission to regulatory authorities. Accordingly, current period figures represent the results of the Company's operations and cash flows for the period from January 1, 2018 to September 30, 2018.

**APPENDIX D - LIVFREE AUDITED FINANCIAL STATEMENTS
(YEAR ENDED DECEMBER 31, 2017)**

LIVFREE WELLNESS LLC
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

LIVFREE WELLNESS LLC
Consolidated Financial Statements
December 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Members of LivFree Wellness LLC:

The accompanying consolidated financial statements and other financial information in this report were prepared by management of LivFree Wellness LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditors, Macias Gini & O'Connell LLP, and their report is presented herein.

December XX, 2018

"Steve Menzies" (signed)
Managing Member

"Timothy Harris" (signed)
Chief Financial Officer

Independent Auditor's Report

To the Members of LivFree Wellness LLC

We have audited the accompanying consolidated financial statements of LivFree Wellness LLC (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and the consolidated statements of operations, changes in members' equity and cash flows for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

(continues)

Independent Auditor's Report to the Members of LivFree Wellness LLC *(continued)*

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of LivFree Wellness LLC as at December 31, 2017, and its consolidated financial performance and its cash flows for the year ended December 31, 2017, in accordance with International Financial Reporting Standards.

San Diego, California
December XX, 2018

LIVFREE WELLNESS LLC
Consolidated Statement of Financial Position
At December 31, 2017

	December 31, 2017 \$
ASSETS	
Current	
Cash	898,658
Inventory [Note 5]	1,396,981
Due from a related corporation	590,495
Prepaid expenses and other assets	148,224
	3,034,358
Property, plant and equipment [Note 6]	1,390,530
Investment in associate [Note 7]	1,586,966
Total assets	6,011,854
LIABILITIES	
Current	
Trade payables	133,849
Accrued liabilities	558,305
Distributions payable	1,980,000
Debt payable - current portion [Note 8]	220,000
	2,892,154
Debt payable - Non-current portion [Note 8]	240,000
Total liabilities	3,132,154
MEMBERS' EQUITY	2,879,700
Total liabilities and members' equity	6,011,854

Nature of operations [Note 1]

Commitments and contingencies [Note 13]

Subsequent events [Note 16]

Approved and authorized by the Board of Directors on December XX, 2018

“Steve Menzies” (signed)
 Managing Member

“Timothy Harris” (signed)
 Chief Financial Officer

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

LIVFREE WELLNESS LLC
Consolidated Statement of Operations
For the Years Ended December 31, 2017

	December 31, 2017
	\$
Revenues, net of discounts	14,465,998
Cost of goods sold	9,254,267
Gross profit	5,211,731
Expenses	
General and administrative [Note 12]	2,421,520
Sales and marketing	299,681
Depreciation [Note 6]	145,099
Total expenses	2,866,300
Net Income from operations	2,345,431
Other (income) expense	
Share of income on equity investments [Note 7]	(586,966)
Other expense	4,043
Total other (income) expense	(582,923)
Net Income	2,928,354

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

LIVFREE WELLNESS LLC
Consolidated Statement of Changes in Members' Equity
For the Year Ended December 31, 2017

	\$
Balance as at January 1, 2017	1,143,139
Contributions [Note 9]	788,207
Distributions	(1,980,000)
Net income for the year	2,928,354
Balance as at December 31, 2017	2,879,700

The accompanying notes are in integral part of these consolidated financial statements.

LIVFREE WELLNESS LLC
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

	\$
Operating activities	
Net income (loss)	2,928,354
<i>Adjustments for items not affecting cash:</i>	
Depreciation	145,099
Share of income on equity investments	(586,966)
Loss on disposal of property, plant and equipment	4,043
<i>Changes in working capital items:</i>	
Inventory	(1,198,265)
Due from a related corporation	(563,518)
Prepaid expenses and other assets	(12,105)
Trade payables	133,849
Accrued liabilities	434,737
Cash provided by (used in) operating activities	1,285,228
Investing activities	
Investment in associate	(1,000,000)
Purchase of property, plant and equipment	(248,481)
Cash used in investing activities	(1,248,481)
Financing activities	
Contribution	788,207
Cash provided by financing activities	788,207
Net increase in cash	824,954
Cash, beginning of year	73,704
Cash, end of year	898,658
Non-Cash Supplementary Information	
Distributions payable	(1,980,000)

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

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

1. NATURE OF OPERATIONS

LivFree Wellness LLC (“LivFree” or the “Company”) [formerly LivFree Wellness Reno LLC (“Reno”)] was incorporated as a Limited Liability Company on July 16, 2014 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 5347 S. Decatur Blvd Las Vegas NV 89118.

The Company’s principal activities are buying and selling of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The Company adopted IFRS effective January 1, 2016. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on December XX, 2018.

2.2 Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The consolidated financial statements are presented in US dollars which is the presentation and functional currency of the Company.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary Billco Holdings, LLC (“Billco”), a Limited Liability Company, incorporated in the state of Nevada. The results of subsidiary acquired or disposed of during the year is included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The financial statement of the subsidiary is prepared for the same reporting period as the Company, using consistent accounting policies.

3.2 Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.3 Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Leasehold improvements – the shorter of the useful life or life of the lease
- Furniture and fixtures – 10 years
- Office and equipment – 3-5 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of income (loss).

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment (“PPE”) (continued)

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.4 Taxation

The Company is considered a Limited Liability Company for income tax purposes, for the year ended December 31, 2017. Therefore, the Company’s taxable income is allocated to the members for inclusion on their respective income tax returns.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

3.5 Financial instruments

All financial instruments are recognized when the Company becomes party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables (“L&R”)
- financial instruments at fair value through profit or loss (“FVTPL”)
- held-to-maturity investments
- available-for-sale assets (“AFS”)
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, described below.

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income (loss) until the asset is removed from the statements of financial position.

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance.

See Note 14 - Financial risk factors for the details of their classification.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of non-financial assets

At each date of the statements of financial position, the Company reviews the carrying amounts of its long lived assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.7 Inventory

Inventories purchased from third parties represent finished goods that are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow moving goods and any such inventories identified are written down to net realizable value. At December 31, 2017 there were no reserves for inventories required.

3.8 Cash

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.10 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, income (loss), assets and liabilities recognized and disclosures made in the consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates and judgments:

- (a) Estimated useful lives and depreciation of property, plant and equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

3.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases (continued)

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.12 Investment in associates

An associate is an entity over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy of the investee but without control or joint control over those policies. Interests in associates are accounted for using the equity method, and are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of income and distributions of the investee. The carrying value of associates is assessed for impairment at each balance sheet date. Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those decisions. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investees in which the Company has joint control and rights to the net assets thereof, are defined as joint ventures. The Company has assessed that it has joint control over its investment in JDSS Investments LLC.

Investees in which the Company has significant influence or joint control are accounted for using the equity method. The Company's interest in an investee is initially recorded at cost and is subsequently adjusted for the Company's share of changes in net assets of the investee, less any impairment in the value of individual investments, less any dividends paid. Where the Company transacts with an investee, unrealized profits and losses are eliminated to the extent of the Company's interest in that investee.

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new accounting pronouncement

IAS 1 - Presentation of Financial Statements

The Company has reviewed and considered the amendments made to IAS 1 effective on January 1, 2016. The Company has concluded that the adoption of such standard has resulted in no impact on the Company's consolidated financial statements. The Company will re-evaluate IAS 1 should a transaction occur.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018. The Company is assessing the potential financial and disclosure impact of this standard on its consolidated financial statements but does not expect the impact to be material.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 adoption is expected to have on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective (continued)

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

5. INVENTORY

Inventory comprised of finished goods.

Inventories expensed as cost of goods sold during the year ended December 31, 2017 is \$7,335,444.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office & Equipment	Total
	\$	\$	\$	\$
Cost				
As at January 1, 2017	1,327,312	14,209	9,096	1,350,617
Additions	187,446	15,052	45,983	248,481
Disposals	-	-	(9,096)	(9,096)
As at December 31, 2017	1,514,758	29,261	45,983	1,590,002
Depreciation				
As at January 1, 2017	56,745	408	2,274	59,427
Depreciation	134,215	3,262	7,622	145,099
Disposals	-	-	(5,054)	(5,054)
As at December 31, 2017	190,960	3,670	4,842	199,472
Net book value				
As at December 31, 2017	1,323,798	25,591	41,141	1,390,530

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
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7. INVESTMENT IN ASSOCIATE

Pursuant to Membership Interest Purchase and Sale Agreement dated July 1, 2017, the Company acquired 50% membership interest in JDSS Investments LLC. Per the purchase agreement section 2.0. total purchase price shall be \$2.4 million. The acquisition is achieved in stages. Management has concluded that the current investment is to be accounted for as an investment in associate using the equity method as detailed below:

	\$
Balance, at beginning	-
Additions	1,000,000
Share of income	586,966
Balance, at end	1,586,966

The following table presents a summary of statement of financial position and statement of operations of the investee:

	\$
Current assets	529,714
Non-current assets	3,004,653
Current liabilities	80,636
Revenue	1,263,372
Income	419,397

8. DEBT PAYABLE

On December 12, 2014, the Company obtained a loan of \$460,000 from a third party. The loan was unsecured, carried no interest and there was no repayment term.

As disclosed and explained in subsequent events note (Note 16), the Company entered into a Settlement Agreement with the debt holder for the repayment of loan and settlement of membership interest. The current and non-current portion of the debt has been classified in accordance with the agreed repayment schedule.

The details of debt payable at December 31, 2017 were as follows:

	\$
Loan payable to a third party	460,000
Less: Current portion	(220,000)
Debt payable - Non-current portion	240,000

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

8. DEBT PAYABLE (continued)

As at December 31, 2017, the maturity profile of the debt was as follows:

Year ending December 31	\$
2018	220,000
2019	240,000
	460,000

9. MEMBERS' EQUITY

During the year ended December 31, 2017, the members of the Company contributed in cash amounting to \$788,207.

During the year ended December 31, 2017, the distributions to the members of the Company in cash amounted to \$1,980,000.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the consolidated financial statements, related party transactions and balances are as follows:

During the year ended December 31, 2017, purchases of harvested cannabis totaling \$474,400 from a related party is included in cost of goods sold.

No compensation was paid to key management for the year ended December 31, 2017.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements. As at December 31, 2017, the capital of the Company was \$2,879,700.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

11. CAPITAL MANAGEMENT (continued)

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the Members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

12. GENERAL AND ADMINISTRATIVE

General and administrative expenses for the year ended December 31, 2017, were comprised of:

	\$
Salaries and benefits	1,283,492
Rent [Notes 10 & 13]	252,285
Taxes and licenses	21,681
Professional and consulting fees	323,340
Insurance	94,686
Office expenses	187,764
Travel	76,716
Utilities	45,228
Others	136,328
	2,421,520

13. COMMITMENTS AND CONTINGENCIES

Operating leases

Pursuant to various lease agreements, the Company conducted operations in facilities leased from third parties and a related party. The leases expire through 2022 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
2018	386,028
2019	483,094
2020	501,595
2021	463,664
2022	348,649
	2,183,030

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
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13. COMMITMENTS AND CONTINGENCIES (continued)

Total rent expensed for the year ended December 31, 2017 was \$252,285.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at December 31, 2017, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

An affiliate of the Company engaged a contractor to determine if a site met the requirements for a new grow facility. Based on the survey done by the contractor the Company proceeded with the purchase and incurred a loss when the site was subsequently determined not to be suitable. The Company filed a claim with the contractor's insurer to recover its losses and commenced litigation when the insurer refused to pay any portion of the claim. The Company's legal counsel has indicated a likely recovery of \$250,000 paid by the Company before the site was found not to be suitable.

14. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, amounts due from a related corporation, trade payables, accrued liabilities, distributions payable and debt payable.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

14. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	AFS	L&R	Total	Total
	\$	\$	\$	\$	\$
Cash	898,658	-	-	898,658	898,658
Due from a related corporation	590,495	-	-	590,495	590,495
	1,489,153	-	-	1,489,153	1,489,153

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017

14. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

Financial liabilities	Carrying values			Fair values
	FVTPL	Other liabilities	Total	Total
	\$	\$	\$	\$
Trade payables	-	133,849	133,849	133,849
Accrued liabilities	-	558,305	558,305	558,305
Distributions payable	-	1,980,000	1,980,000	1,980,000
Debt payable	-	460,000	460,000	460,000
	-	3,132,154	3,132,154	3,132,154

The Company's financial instruments as at December 31, 2017 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. As at December 31, 2017 the maximum amount exposed to credit risks was \$648,650.

LIVFREE WELLNESS LLC
Notes to the Consolidated Financial Statements
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14. FINANCIAL RISK FACTORS (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at December 31, 2017, all trade payables and accrued liabilities are due within a year, whereas, long term debt over a period of two years.

15. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2017, the Company's operations comprise a single reporting operating and geographical segment engaged in buying and selling of cannabis.

16. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December XX, 2018, the date the consolidated financial statements were issued, and determined the following event:

As disclosed in Note 8 to the consolidated financial statements, on January 16, 2018, the Company entered into Settlement Agreement (the "Agreement") with the debt holder and one of its existing members for the repayment of debt in accordance with an agreed repayment schedule. The Company agreed to pay \$20,000 within 30 days from the execution of this Agreement and the remaining balance to be paid in 22 equal monthly payments of \$20,000.

Pursuant to its growth strategy, the Company sought and, on July 1, 2018, was issued four licenses allowing it to operate two medical cultivation and two medical production facilities.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX E – LIVFREE INTERIM FINANCIAL STATEMENTS

LIVFREE WELLNESS LLC

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**

(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

LIVFREE WELLNESS LLC
Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2018 and 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Members of LivFree Wellness LLC:

The accompanying unaudited condensed interim consolidated financial statements and other financial information in this report were prepared by management of LivFree Wellness LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the unaudited condensed interim consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's unaudited condensed interim consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of the unaudited condensed interim consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

November 30, 2018

"Steve Menzies" (signed)
Managing Member

"Timothy Harris" (signed)
Chief Financial Officer

LIVFREE WELLNESS LLC
Unaudited Condensed Interim Consolidated Statements of Financial Position
At September 30, 2018 and December 31, 2017

	September 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current		
Cash	1,591,393	898,658
Inventory [Note 4]	1,798,799	1,396,981
Due from a related corporation	250,000	590,495
Prepaid expenses and other assets	259,147	148,224
	3,899,339	3,034,358
Property, plant and equipment [Note 5]	1,630,195	1,390,530
Investment in associate [Note 6]	3,899,934	1,586,966
Total assets	9,429,468	6,011,854
LIABILITIES		
Current		
Trade payables	316,652	133,849
Accrued liabilities	611,396	558,305
Distributions payable	-	1,980,000
Debt payable - current portion [Note 7]	240,000	220,000
	1,168,048	2,892,154
Debt payable - Non-current portion [Note 7]	40,000	240,000
Total liabilities	1,208,048	3,132,154
MEMBERS' EQUITY	8,221,420	2,879,700
Total liabilities and members' equity	9,429,468	6,011,854

Nature of operations [Note 1]

Commitments and contingencies [Note 12]

Subsequent events [Note 15]

Approved and authorized by the Board of Directors on November 30, 2018

“Steve Menzies” (signed)
 Managing Member

“Timothy Harris” (signed)
 Chief Financial Officer

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LIVFREE WELLNESS LLC
Unaudited Condensed Interim Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2018 and 2017

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Revenues, net of discounts	8,801,579	5,434,791	23,946,093	8,245,855
Cost of goods sold	5,380,429	3,076,724	14,964,558	5,264,537
Gross profit	3,421,150	2,358,067	8,981,535	2,981,318
Expenses				
General and administrative [Note 10]	1,096,759	777,771	2,748,346	1,622,752
Sales and marketing	173,092	49,338	363,791	236,585
Depreciation [Note 5]	50,164	36,716	140,646	106,303
Total expenses	1,320,015	863,825	3,252,783	1,965,640
Net income from operations	2,101,135	1,494,242	5,728,752	1,015,678
Other (income) expense				
Share of income on equity investments [Note 6]	(265,126)	(58,688)	(912,968)	(58,688)
Total other (income) expense	(265,126)	(58,688)	(912,968)	(58,688)
Net income	2,366,261	1,552,930	6,641,720	1,074,366

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LIVFREE WELLNESS LLC
Unaudited Condensed Interim Consolidated Statements of Changes in Members' Equity
For the Three and Nine Months Ended September 30, 2018 and 2017

	Members' Equity \$
Balance as at December 31, 2017	2,879,700
Distributions	(1,300,000)
Net income for the period	6,641,720
Balance as at September 30, 2018	8,221,420
Balance as at December 31, 2016	1,143,139
Contribution	788,207
Net income for the period	1,074,366
Balance as at September 30, 2017	3,005,712

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LIVFREE WELLNESS LLC
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017

	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Operating activities		
Net income	6,641,720	1,074,366
<i>Adjustments for items not affecting cash:</i>		
Depreciation	140,646	106,303
Share of income on equity investments	(912,968)	(58,688)
<i>Changes in working capital items:</i>		
Inventory	(401,818)	(746,810)
Due from a related corporation	340,495	(163,311)
Prepaid expenses and other assets	(110,923)	(34,524)
Trade payables	182,803	104,061
Accrued liabilities	53,091	230,114
Cash provided by operating activities	5,933,046	511,511
Investing activities		
Investment in associate	(1,400,000)	(500,000)
Purchase of property, plant and equipment	(380,311)	(121,353)
Cash used in investing activities	(1,780,311)	(621,353)
Financing activities		
Repayment of debt issuances	(180,000)	-
Contribution	-	788,207
Distributions	(3,280,000)	-
Cash (used in) provided by financing activities	(3,460,000)	788,207
Net increase in cash	692,735	678,365
Cash, beginning of period	898,658	73,704
Cash, end of period	1,591,393	752,069

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

1. NATURE OF OPERATIONS

LivFree Wellness LLC (“LivFree” or the “Company”) [formerly LivFree Wellness Reno LLC (“Reno”)] was incorporated as a Limited Liability Company on July 16, 2014 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 5347 S. Decatur Blvd Las Vegas NV 89118.

Before April 29 2016, Reno, 401 Investments LLC (“401”) and LivFree Wellness LLC (“Wellness”) were the three operative Domestic Limited liability Companies in Nevada. 401, which was co-owned by multiple investors, was the sole owner of Wellness and owned majority stake in Reno. On April 29, 2016, with consent from all parties involved, 401 and Wellness were dissolved and merged into Reno (being the sole surviving entity), whereafter, Reno was renamed as LivFree Wellness LLC.

This transaction has been accounted for using common control merger accounting by applying predecessor value method. A predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values.

The Company’s principal activities are buying and selling of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 (and comparative results for the three and nine months ended September 30, 2017) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 consolidated financial statements and notes and have been prepared using the same accounting policies described in Note 3 to the 2017 consolidated financial statements and notes.

These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 30, 2018.

2.2 Basis of presentation

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. The condensed consolidated financial statements are presented in US dollars which is the presentation and functional currency of the Company.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries Billco Holdings, LLC (“Billco”) and BP Solutions LLC (“BP”), Limited Liabilities Companies, incorporated in the state of Nevada. The results of subsidiaries acquired or disposed of during the year is included in the condensed interim consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation. The financial statements of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

3. CHANGES IN ACCOUNTING STANDARDS

Changes in accounting standards adopted

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVTOCI”) and FVTPL. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. The Company adopted IFRS 15 effective from January 1, 2018. The adoption did not result in any material change.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

3. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its unaudited condensed interim consolidated financial statements and plans to adopt the requirements in 2019.

4. INVENTORY

Inventory comprised of finished goods.

Inventories expensed as cost of goods sold during the nine months ended September 30, 2018 and 2017 are \$12,815,093 and \$4,108,344, respectively.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office & equipment	Total
	\$	\$	\$	\$
Cost				
As at December 31, 2017	1,514,759	29,261	45,983	1,590,003
Additions	282,710	27,344	70,257	380,311
As at September 30, 2018	1,797,469	56,605	116,240	1,970,314
Depreciation				
As at December 31, 2017	190,961	3,670	4,842	199,473
Depreciation	130,655	4,949	5,042	140,646
As at September 30, 2018	321,616	8,619	9,884	340,119
Net book value				
As at December 31, 2017	1,323,798	25,591	41,141	1,390,530
As at September 30, 2018	1,475,853	47,986	106,356	1,630,195

Depreciation expense for the nine months ended September 30, 2018 and 2017 of \$140,646 and \$106,303, respectively, is included within operating expenses.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

6. INVESTMENT IN ASSOCIATE

Pursuant to Membership Interest Purchase and Sale Agreement dated November 9, 2017, the Company acquired 50% membership interest in JDSS Investments LLC. Management has concluded that the current investment is to be accounted for as an investment in associate using the equity method as detailed below:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, at beginning	1,586,966	-
Additions	1,400,000	1,000,000
Share of income	912,968	586,966
Balance, at end	3,899,934	1,586,966

The following table presents a summary of statement of financial position and statement of operations of the investee:

	September 30, 2018	December 31, 2017
	\$	\$
Current assets	4,148,661	529,714
Non-current assets	2,855,927	3,004,653
Current liabilities	140,700	80,636
Revenue	3,545,538	1,263,372
Income	2,443,494	419,397

7. DEBTS PAYABLE

Effective December 12, 2014, the Company obtained a loan of \$460,000 from a third party. The loan was unsecured, carried no interest and there was no repayment term.

As disclosed and explained in subsequent events note (Note 14), the Company entered into a Settlement Agreement with the debt holder for the repayment of loan and settlement of membership interest. The current and non-current portion of the debt has been classified in accordance with the agreed repayment schedule.

The details of debts payable were as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Loan payable to a third party	280,000	460,000
Less: Current portion	(240,000)	(220,000)
Debt payable - Non-current portion	40,000	240,000

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

7. DEBTS PAYABLE (continued)

As at September 30, 2018 the maturity profile of the debts are as follows:

Year ending December 31	\$
2019	240,000
2020	40,000
	280,000

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the consolidated financial statements, related party transactions and balances are as follows:

During the nine months ended September 30, 2018 and 2017, purchases of harvested cannabis totaling \$1,115,981 and \$nil, respectively, from a related party is included in cost of goods sold.

No compensation was paid to key management for the nine months ended September 30, 2018 or for the nine months ended September 30, 2017.

9. MEMBERS' EQUITY

During the nine months September 30, 2018 and the year ended December 31, 2017, the members of the Company contributed in cash amounting to \$ nil and \$788,207, respectively.

During the nine months September 30, 2018 and the year ended December 31, 2017, the distributions to the members of the Company in cash amounted to \$1,300,000 and \$nil, respectively.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements. As at September 30, 2018 and December 31, 2017, the capital of the Company was \$9,035,808 and \$3,694,088, respectively.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

10. CAPITAL MANAGEMENT (continued)

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through loans from third parties and promissory notes. There can be no assurance that the Company will be able to continue raising capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

11. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Salaries and benefits	497,649	363,542	1,426,280	815,006
Rent [Notes 11]	120,752	64,425	304,467	183,599
Taxes and licenses	27,274	3,681	52,957	19,921
Professional and consulting fees	273,851	179,655	467,945	256,165
Insurance	54,781	29,606	127,023	53,667
Office expenses	44,055	46,504	128,689	109,884
Utilities	31,911	15,867	67,110	29,495
Others	46,486	74,491	173,875	155,015
	1,096,759	777,771	2,748,346	1,622,752

12. COMMITMENTS AND CONTINGENCIES

Operating leases

Pursuant to various lease agreements, the Company conducted operations in facilities leased from third parties and a related party. The leases expire through 2012 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
2018 (3 months)	54,137
2019	226,901
2020	237,900
2021	90,496
	609,434

Total rent expensed for the nine months ended September 30, 2018 and September 30, 2017 were \$304,467 and \$183,599, respectively.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

12. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

The Company notified one of its members that the member's interests were being mandatorily redeemed under the terms of the relevant operating agreements. The matter was brought to arbitration where the Company prevailed. Subsequently, on March 5, 2015, the parties reached a resolution and the member entered into an Assignment Agreement (the "Agreement"), whereby the Company agreed to pay \$200,000 in exchange for the member's interest in the Company.

An affiliate of the Company engaged a contractor to determine if a site met the requirements for a new grow facility. Based on the survey done by the contractor the Company proceeded with the purchase and incurred a loss when the site was subsequently determined not to be suitable. The Company filed a claim with the contractor's insurer to recover its losses and commenced litigation when the insurer refused to pay any portion of the claim. The Company's legal counsel has indicated a likely recovery of \$250,000 paid by the Company before the site was found not to be suitable.

13. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, due from a related corporation, trade payables and accrued liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

13. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the unaudited condensed interim consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	FVTOCI	AC	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Cash	1,591,393	-	-	1,591,393	1,591,393
Due from a related corporation	250,000	-	-	250,000	250,000
	1,841,393	-	-	1,841,393	1,841,393
December 31, 2017					
Cash	898,658	-	-	898,658	898,658
Due from a related corporation	590,495	-	-	590,495	590,495
	1,489,153	-	-	1,489,153	1,489,153
Financial liabilities	Carrying values			Fair values	
	FVTPL	AC	Total	Total	
September 30, 2018	\$	\$	\$	\$	\$
Trade payables	-	316,652	316,652	316,652	316,652
Accrued liabilities	-	611,396	611,396	611,396	611,396
Distributions payable	-	-	-	-	-
Debt payable	-	280,000	280,000	280,000	280,000
	-	1,208,048	1,208,048	1,208,048	1,208,048
December 31, 2017					
Trade payables	-	133,849	133,849	133,849	133,849
Accrued liabilities	-	558,305	558,305	558,305	558,305
Distributions payable	-	1,980,000	1,980,000	1,980,000	1,980,000
Debt payable	-	460,000	460,000	460,000	460,000
	-	3,132,154	3,132,154	3,132,154	3,132,154

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

13. FINANCIAL RISK FACTORS (continued)

The Company's financial instruments as at September 30, 2018 and December 31, 2017 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and company risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and due from a related corporation. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$1,841,393 and \$1,489,153 respectively.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of two years.

14. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At September 30, 2018, the Company's operations comprise a single reporting operating and geographical segment engaged in the buying and selling of cannabis.

LIVFREE WELLNESS LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

15. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 30, 2018, the date the unaudited condensed interim consolidated financial statements were issued, and determined the following event:

As disclosed in Note 8 to the consolidated financial statements, on January 16, 2018, the Company entered into Settlement Agreement (the "Agreement") with the debt holder and one of its existing members for the repayment of debt in accordance with an agreed repayment schedule. The Company agreed to pay \$20,000 within 30 days from the execution of this Agreement and the remaining balance to be paid in 22 equal monthly payments of \$20,000.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX F – MANAGEMENT’S DISCUSSION & ANALYSIS OF LIVFREE

Management's Discussion and Analysis – LivFree Wellness, LLC

Overview

LivFree Wellness, LLC (“**LivFree**”) is a leading owner and operator of cannabis dispensaries in Nevada. LivFree operates in both the medical and adult use segments of the Nevada cannabis market.

Major Business Lines and Geographies

LivFree views its financial results under the retail dispensary operations business line. LivFree generates all of its revenue in the State of Nevada.

Retail Dispensary Operations

LivFree is a licensed dispensary operator with three retail locations. LivFree dispensaries are located in Las Vegas, NV, Henderson, NV, and Reno, NV.

LivFree generates revenue by purchasing wholesale cannabis and cannabis products and selling those products in at three retail locations.

Geographic Areas

All of LivFree's revenue is derived from the Nevada cannabis market.

Market Update and LivFree's Objectives

LivFree currently operates three dispensaries in key locations within the State of Nevada. LivFree has focused on establishing dispensaries in prime locations and expanding its operations into a vertically-integrated business. LivFree's objectives have been to grow its business by adding cultivation and production capabilities, for which it has already secured the necessary licenses. Given the strong growth in the Nevada cannabis market, management believes that becoming a vertically-integrated cannabis company and expanding its dispensary footprint are especially attractive propositions in respect of LivFree.

Results of Operations

Annual Results of Operations

(\$ in millions)

	<u>12 months ended December 31, 2017</u>
Revenue	14.5
Cost of Goods Sold	9.3
Gross Profits	5.2
General and Administrative Expenses	2.4
Sales and Marketing Expense	0.3
Net income from operations	2.3
Net income	2.9
Total Assets	6.0
Current Liabilities	2.9
Total Liabilities	3.1
Total Net Assets	2.9

Revenue

2017

For the year ended December 31, 2017, revenue was \$14.5 million. This spending was primarily driven by increased demand from the launch of Nevada's legal adult-use program in July 2017.

Cost of Goods Sold

2017

For the year ended December 31, 2017, cost of goods sold was \$9.3 million. This change was primarily driven by increased demand from the launch of Nevada's legal adult-use program in July 2017.

General and Administrative Expenses

2017

For the year ended December 31, 2017, general and administrative expenses were \$2.4 million. This increase was driven by higher costs to support LivFree's sales growth.

Sales and Marketing Expenses

2017

For the year ended December 31, 2017, sales and marketing expenses were \$0.3 million. The increase was driven by activity supporting LivFree's retail operations in 2017.

Quarterly Results of Operations

(\$ in millions)

	3 months ended September 30,		9 months ended September 30,	
	2018	2017	2018	2017
Revenue	8.8	5.4	23.9	8.2
Cost of Goods Sold	5.4	3.1	15.0	5.3
Gross Profits	3.4	2.4	9.0	2.9
General and Administrative Expenses	1.1	0.8	2.7	1.6
Sales and Marketing Expense	0.2	0.0	0.4	0.2
Income (loss) from operations	2.1	1.5	5.7	1.0
Net income (loss)	2.4	1.6	6.6	1.1

Revenue

For the three months ended September 30, 2018, revenue was \$8.8 million, which represents an increase of \$3.4 million or 63.0% from the prior year amount of \$5.4 million. This increase is primarily due to increased demand from the launch of Nevada's legal adult-use program in July 2017.

For the nine months ended September 30, 2018, revenue was \$23.9 million, which represents an increase of \$15.7 million or 191.5% from the prior year amount of \$8.2 million. This increase is primarily due to increased demand from the launch of Nevada's legal adult-use program in July 2017.

Cost of Goods Sold

For the three months ended September 30, 2018, cost of goods sold was \$5.4 million, which represents an increase of \$2.3 million or 74.2% from the prior year amount of \$3.1 million. This increase is primarily due to increased demand from the launch of Nevada's legal adult-use program in July 2017.

For the nine months ended September 30, 2018, cost of goods sold was \$15.0 million, which represents an increase of \$9.7 million or 183.0% from the prior year amount of \$5.3 million. This increase is primarily due to increased demand from the launch of Nevada's legal adult-use program in July 2017.

General and Administrative Expenses

For the three months ended September 30, 2018, general and administrative expenses were \$1.1 million, which represents an increase of \$0.3 million or 37.5% from the prior year amount of \$0.8 million. This increase is primarily due to increased operating costs from the launch of Nevada's legal adult-use program in July 2017.

For the nine months ended September 30, 2018, general and administrative expenses were \$2.7 million, which represents an increase of \$1.1 million or 68.8% from the prior year amount of \$1.6 million. This increase is primarily due to increased operating costs from the launch of Nevada's legal adult-use program in July 2017.

Sales and Marketing Expenses

For the three months ended September 30, 2018, sales and marketing expenses were \$0.2 million, which represents an increase of \$0.2 million from the prior year amount of \$0.0 million. LivFree dedicated relatively modest but growing resources to marketing during this period.

For the nine months ended September 30, 2018, sales and marketing expenses were \$0.4 million, which represents an increase of \$0.2 million or 100.0% from the prior year amount of \$0.2 million. LivFree dedicated relatively modest but growing resources to marketing during this period.

Liquidity and Capital Resources

Overview

Historically, LivFree's primary source of liquidity has been contributions from its owners. Today, LivFree generates positive cash flow from its operations, and expects to continue to do so, and this cash flow is its principal source of liquidity.

Financial Condition

Cash Flows

The following table summarizes LivFree's consolidated statement of cash flows from continuing operations:

<i>(\$ in millions)</i>	The period ended September 30,		12 months ended December 31, 2017
	2018	2017	
Cash provided by (used in)			
Operating activities	5.9	0.5	1.3
Investing activities	(1.8)	(0.6)	(1.2)
Financing activities	(3.5)	0.8	0.8
Net Change in Cash	0.7	0.7	0.8
Cash Balance, Beginning	0.9	0.1	0.1
Cash Balance, Ending	1.6	0.8	0.9

Cash Flow Provided by Operating Activities

Cash flow from operating activities increased by \$5.4 million for the nine month period ended September 30, 2018 compared to September 30, 2017. This increase was primarily driven by the increase in sales and shifting working capital needs related to the increase in sales.

Cash flow from operating activities in 2017 is \$1.3 million. This was primarily driven by sales and working capital needs.

Cash Flow Provided by (Used in) Investing Activities

Cash flow from investing activities changed by \$(1.2) million for the nine month period ended September 30, 2018 compared to September 30, 2017. This change was due to an increase in cash spent related to investments in an associate and an increase in capital spending related to LivFree’s dispensaries.

Cash flow from investing activities in 2017 is \$(1.2) million. This was due to cash spent related to investments in an associate and capital spending related to LivFree’s dispensaries.

Cash Flow Provided by (Used in) Financing Activities

Cash flow from financing activities changed by \$(4.3) million for the nine month period ended September 30, 2018 compared to September 30, 2017. This decrease was due to an increase in distributions a reduction in debts.

Cash flow from financing activities in 2017 is \$0.8 million. This reflects net contributions.

As previously noted, LivFree’s primary capital resource is cash flow generated from operations. LivFree does not have any other committed sources of financing or significant capital expenditure commitments.

Contractual Obligations

LivFree has contractual obligations to make future payments, including debt agreements and lease agreements with third parties and a related party. The following table summarizes such obligations as of September 30, 2018:

	Remaining Amount Due by Period				
	Total	2018	2019	2020-2021	After 2021
Debt	280,000	–	240,000	40,000	–
Operating Leases	609,434	54,137	226,901	328,396	–
Total Contractual Obligations	889,434	54,137	466,901	368,396	–

Transactions with Related Parties

The leasing arrangement with a related party is disclosed in Contractual Obligations section above.

Purchases of harvested cannabis from a related party totaling \$1,115,981 during the nine months ended September 30, 2018 is included in cost of goods sold.

No compensation was paid by LivFree to key management for the nine months ended September 30, 2018.

Critical Accounting Estimates

Critical Accounting Judgments and Estimates

The application of LivFree’s accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Management’s best estimates concerning the future are based on the facts and circumstances available at the time estimates are made and are based on a variety of factors including historical experience, general economic conditions and assumptions regarding probable future outcomes. These estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from these estimates.

The following areas require management's critical estimates and judgments:

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Changes in Accounting Policies Including Adoption

Changes in Accounting Policies

There were no significant changes in accounting policies the nine months ended September 30, 2018. LivFree's significant accounting policies are described in notes entitled "Summary of Significant Accounting Policies" to LivFree's audited and unaudited consolidated financial statements attached to this prospectus as Appendix ●.

Accounting Standards Issued but not yet Effective

The following new standards and interpretations have been adopted by LivFree and are described in the notes entitled "Changes in Accounting Standards" to LivFree's audited and unaudited consolidated financial statements:

- IFRS 9 - Financial Instruments adopted effective from January 1, 2018; the adoption did not result in any material change
- IFRS 15 - Revenue from Contracts with Customers adopted effective from January 1, 2018; the adoption did not result in any material change

The following new standards and interpretations are not yet effective and are described in the notes entitled "Changes in Accounting Standards" to LivFree's audited and unaudited consolidated financial statements attached to this prospectus as Appendix ●:

- IFRS 16 - Leases effective for annual periods beginning on or after January 1, 2019; LivFree plans to adopt the requirements in 2019 and is currently evaluating the impact adopting the standard will have on its consolidated financial statements

Financial Instruments and Other Instruments

Fair Value of Financial Instruments

LivFree's financial instruments consist of cash, amounts due from a related corporation, trade payables, accrued liabilities, distributions payable, and debts payable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

As of September 30, 2018 cash was classified as Level 1. For other financial assets and financial liabilities, the carrying amount is considered a reasonable approximation of fair value.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject LivFree to concentrations of credit risk consist of cash and due from a related corporation. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$1,841,393 and \$1,489,153 respectively.

Liquidity Risk

Liquidity risk is the risk that LivFree is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. LivFree's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. LivFree manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

APPENDIX G – WASHOE AUDITED FINANCIAL STATEMENTS

WASHOE WELLNESS, LLC
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2017, 2016 AND 2015
(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

WASHOE WELLNESS, LLC
Consolidated Financial Statements
December 31, 2017, 2016 and 2015

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Members of Washoe Wellness, LLC:

The accompanying consolidated financial statements and other financial information in this report were prepared by management of Washoe Wellness, LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's consolidated financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditor, Macias Gini & O'Connell LLP, and their report is presented herein.

December 6, 2018

"Mark Pitchford" (signed)
Chief Executive Officer

"Lilian Yohn" (signed)
Chief Financial Officer



Independent Auditor's Report

To the Members of Washoe Wellness, LLC

We have audited the accompanying consolidated financial statements of Washoe Wellness, LLC (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017, 2016 and 2015, and the consolidated statements of operations, changes in members' equity and cash flows for the years ended December 31, 2017, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

(continues)

Independent Auditor's Report to the Members of Washoe Wellness, LLC *(continued)*

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of Washoe Wellness, LLC as at December 31, 2017, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2017, 2016 and 2015, in accordance with International Financial Reporting Standards.

Macias Gini & O'Connell LLP

San Diego, California
December 6, 2018

WASHOE WELLNESS, LLC
Consolidated Statements of Financial Position
At December 31, 2017, 2016 and 2015

	2017	2016	2015
	\$	\$	\$
ASSETS			
Current			
Cash	1,435,345	133,375	116,572
Accounts receivable, no allowance	130,890	67,105	-
Inventory [Note 5]	1,144,188	1,728,427	161,415
Biological assets [Note 6]	1,232,350	1,043,041	1,797,919
Loans receivable [Note 7]	240,000	-	-
Prepaid expenses and other assets	749,466	44,845	120,169
	4,932,239	3,016,793	2,196,075
Intangible assets [Note 8]	46,018	46,018	25,018
Property, plant and equipment [Note 9]	5,783,992	3,155,897	3,227,748
Investment in associate [Note 10]	1,200,651	217,142	-
Total assets	11,962,900	6,435,850	5,448,841
LIABILITIES			
Current			
Trade payables	213,856	63,202	86,262
Accrued liabilities	92,368	32,232	4,934
Advance from a related corporation [Note 13]	150,190	-	-
Debts payable - current portion [Note 11]	70,156	55,453	79,434
	526,570	150,887	170,630
Debts payable - Non-current portion [Note 11]	8,991,936	6,099,474	4,391,080
Total liabilities	9,518,506	6,250,361	4,561,710
MEMBERS' EQUITY	2,444,394	185,489	887,131
Total liabilities and members' equity	11,962,900	6,435,850	5,448,841

Nature of operations [Note 1]

Commitments and contingencies [Note 16]

Subsequent events [Note 19]

Approved and authorized by the Board of Directors on December 6, 2018

“Mark Pitchford” (signed)
 Chief Executive Officer

“Lilian Yohn” (signed)
 Chief Financial Officer

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

WASHOE WELLNESS, LLC
Consolidated Statements of Operations
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	\$	\$	\$
Revenues, net of discounts	6,054,620	1,857,098	-
Cost of goods sold before biological asset adjustment	3,281,125	1,203,292	-
Gross profit before biological asset adjustment	2,773,495	653,806	-
Fair value changes in biological assets included in cost of sales	(1,061,462)	(764,628)	-
Unrealized gain on biological asset transformation	1,167,367	888,067	1,624,115
Gross profit	2,879,400	777,245	1,624,115
Expenses			
General and administrative [Note 15]	842,739	588,315	584,913
Sales and marketing	139,000	45,369	13,277
Depreciation [Note 9]	262,491	211,622	3,928
Total expenses	1,244,230	845,306	602,118
Income (loss) from operations	1,635,170	(68,061)	1,021,997
Other (income) expense			
Share of (income) loss on equity investments [Note 10]	(922,955)	101,395	-
Interest expense	470,564	551,548	62,381
Interest income	(15,000)	-	-
Management fee income [Note 13]	(201,000)	-	-
Rental income and others	(35,344)	(19,362)	-
Total other (income) expense	(703,735)	633,581	62,381
Net income (loss)	2,338,905	(701,642)	959,616

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

WASHOE WELLNESS, LLC
Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2017, 2016 and 2015

	Members' Equity \$
Balance as at January 1, 2015	(72,485)
Net income	959,616
Balance as at December 31, 2015	887,131
Net loss	(701,642)
Balance as at December 31, 2016	185,489
Distributions	(80,000)
Net income	2,338,905
Balance as at December 31, 2017	2,444,394

The accompanying notes are in integral part of these consolidated financial statements.

WASHOE WELLNESS, LLC
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	\$	\$	\$
Operating activities			
Net income (loss)	2,338,905	(701,642)	959,616
<i>Adjustments for items not affecting cash:</i>			
Depreciation	262,491	211,622	3,928
Share of (income) loss on equity investments	(922,955)	101,395	-
Unrealized gain on biological asset transformation	1,167,367	888,067	1,624,115
Fair value changes in biological assets included in cost of sales	(1,061,462)	(764,628)	-
<i>Changes in working capital items:</i>			
Accounts receivable	(63,785)	(67,105)	-
Inventory	584,239	(1,567,012)	(161,415)
Biological assets	(295,214)	631,439	(3,422,034)
Prepaid expenses and other assets	(704,622)	75,325	(97,468)
Trade payables	150,654	(23,060)	86,262
Accrued liabilities	60,137	27,297	262
Advance from a related corporation	150,190	-	-
Deferred rent	-	-	-
Cash provided by (used in) operating activities	1,665,945	(1,188,302)	(1,006,734)
Investing activities			
Purchase of intangible assets	-	(21,000)	(25,018)
Investment in associate	(60,554)	(318,537)	-
Issuance of notes receivable	(240,000)	-	-
Purchase of property, plant and equipment	(2,890,586)	(139,771)	(3,156,583)
Cash used in investing activities	(3,191,140)	(479,308)	(3,181,601)
Financing activities			
Proceeds from issuance of debts payable	2,981,103	1,763,847	4,249,467
Repayments of debts payable	(73,938)	(79,434)	(68,953)
Distributions	(80,000)	-	-
Cash provided by financing activities	2,827,165	1,684,413	4,180,514
Net increase (decrease) in cash	1,301,970	16,803	(7,821)
Cash, beginning of year	133,375	116,572	124,393
Cash, end of year	1,435,345	133,375	116,572
<i>Supplemental cash flow information</i>			
Interest paid	319,963	7,810	4,234

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

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

1. NATURE OF OPERATIONS

Washoe Wellness, LLC (“Washoe” or the “Company”) was incorporated as a Limited Liability Company on June 23, 2014 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 1645 Crane Way, Sparks, NV 89431.

The Company’s management, operations, structure and other matters are governed through an Operating Agreement entered between the Members and Managers of the Company on November 5, 2014. The Company’s principal activities, through its subsidiaries, are the growing, processing and distribution of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The Company adopted IFRS effective January 1, 2016. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements of the Company as at and for the years ended December 31, 2017, 2016 and 2015 comprise of the Company, its wholly owned subsidiaries (together referred to as the "Group" and individually as "Group entities").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on December 6, 2018.

2.2 Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The consolidated financial statements are presented in US dollars which is the presentation and functional currency of the Company and its subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries – Tahoe-Reno Extractions, LLC ("TRE"), Tahoe-Reno Botanicals, LLC ("TRB") and DWC Investments, LLC, Limited Liabilities Companies, and KLYMB Project Management, Inc., incorporated in the state of Nevada. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Land – Not depreciated
- Buildings and leasehold improvements - the shorter of the useful life or life of the lease
- Furniture and fixtures – 5 to 7 years
- Office equipment – 5 years
- Machinery and equipment – 5 years
- Auto and Trucks – 5 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of operations.

Assets under capital lease are amortized according to their asset category.

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.3 Taxation

The Company and its subsidiaries are considered Limited Liability companies for income tax purposes, for the years ended December 31, 2017, 2016 and 2015. Therefore, the Company’s taxable income is allocated to the members for inclusion on their respective income tax returns.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.5 Intangible assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include product rights, domain name and trademark, have indefinite useful lives and are not subject to amortization. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. For the years ended December 31, 2017, 2016 and 2015, the Company did not recognize any impairment losses.

3.6 Financial instruments

All financial instruments are recognized when the Company becomes party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables (“L&R”)
- financial instruments at fair value through profit or loss (“FVTPL”)
- held-to-maturity investments
- available-for-sale assets (“AFS”)
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, described below.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in the consolidated statements of operations until the asset is removed from the consolidated statements of financial position.

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance.

See Note 17 - Financial Risk factors for the details of their classification.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of operations, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.8 Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally produced work in process and finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

3.9 Inventory

Inventories of finished goods, work-in-process and raw materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at the point of harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs, including direct costs attributable to processing and related overheads, are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. At December 31, 2017, 2016 and 2015, there were no reserves for inventories required.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Cash

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.12 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, income (loss), assets and liabilities recognized and disclosures made in the consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates and judgments:

(a) Biological assets and inventory

In calculating the value of the inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

(b) Estimated useful lives and depreciation of property, plant and equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Significant accounting judgments and estimates (continued)

(c) Valuation, estimated life and impairment of intangible assets

Management used significant judgment in valuing the fair value of intangible assets, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

3.13 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of three months to prepare for their intended use.

3.15 Investment in associates

An associate is an entity over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy of the investee but without control or joint control over those policies. Interests in associates are accounted for using the equity method, and are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of income and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date. Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those decisions. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary. The Company has assessed that it has joint control over its investment in The Canopy NV LLC.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investees in which the Company has joint control and rights to the net assets thereof, are defined as joint ventures.

Investees in which the Company has significant influence are accounted for using the equity method. The Company's interest in an investee is initially recorded at cost and is subsequently adjusted for the Company's share of changes in net assets of the investee, less any impairment in the value of individual investments, less any dividends paid. Where the Company transacts with an investee, unrealized profits and losses are eliminated to the extent of the Company's interest in that investee.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
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4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new accounting pronouncement

IAS 1 - Presentation of Financial Statements

The Company has reviewed and considered the amendments made to IAS 1 effective on January 1, 2016. The Company has concluded that the adoption of such standard has resulted in no impact on the Company's consolidated financial statements. The Company will re-evaluate IAS 1 should a transaction occur.

Changes in accounting standards not yet effective

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

IFRS 9 - Financial instruments (continued)

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018. The Company is assessing the potential financial and disclosure impact of this standard on its consolidated financial statements but does not expect the impact to be material.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 adoption is expected to have on its consolidated financial statements.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective (continued)

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

IAS 16 and IAS 41, Bearer plants

The Company has implemented amendments to IAS 16 and IAS 41, which became effective for annual periods beginning on January 1, 2016. These amendments are summarized below.

- Bearer plants' are accounted for as property, plant and equipment and measured at initial recognition at cost or revaluation basis.
- Bearer plants are defined as a living plant that are used in the production or supply of agricultural produce. Such plants are expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Bearer plants remain within the scope of IAS 41.

The amendments described above are consistent with the Company's accounting practices.

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Notes to the Consolidated Financial Statements
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5. INVENTORY

The Company's inventory include the following:

	2017			2016			2015		
	Capitalized cost	Fair value adjustment	Carrying value	Capitalized cost	Fair value adjustment	Carrying value	Capitalized cost	Fair value adjustment	Carrying value
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Harvested cannabis</i>									
Work in process	145,283	45	145,328	250,058	53,574	303,633	-	-	-
Finished goods	29,348	26,493	55,841	188,730	98,021	286,751	-	-	-
	174,631	26,538	201,169	438,788	151,595	590,384	-	-	-
<i>Production Assets</i>									
Raw materials	168,328	65,352	233,680	211,899	55,441	267,340	-	-	-
Work in process	298,196	111,815	410,011	384,468	397,560	782,028	-	-	-
Finished goods	138,371	23,699	162,070	59,008	8,012	67,020	-	-	-
	604,895	200,866	805,761	655,375	461,013	1,116,388	-	-	-
Accessories and supplies	137,258	-	137,258	21,655	-	21,655	161,415	-	161,415
	916,784	227,404	1,144,188	1,115,818	612,608	1,728,427	161,415	-	161,415

Inventories expensed as cost of goods sold during the years ended December 31, 2017, 2016 and 2015 are \$2,434,607, \$1,245,503 and \$74,041, respectively. These exclude the fair market value changes of biological assets.

Non-cash expense relating to change in fair value of inventory sold recognized during the years ended December 31, 2017, 2016 and 2015 are \$1,061,462, \$764,628 and \$nil, respectively.

6. BIOLOGICAL ASSETS

The continuity of biological assets was as follows:

	2017	2016	2015
	\$	\$	\$
Balance, at beginning	1,043,041	1,797,919	-
Production costs	2,887,977	1,072,728	173,804
Fair value change	1,167,367	888,067	1,624,115
Transferred to inventory upon harvest	(3,866,035)	(2,715,673)	-
Balance, at end	1,232,350	1,043,041	1,797,919

As of December 31, 2017, the weighted average fair value less cost to complete and cost to sell was \$2.4 per gram (2016 and 2015 - \$2.08 and \$3.72 per gram, respectively).

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
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6. BIOLOGICAL ASSETS (continued)

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

(a) Selling price per gram;	Level 3 input
(b) Attrition rate;	Level 3 input
(c) Average yield per plant;	Level 3 input
(d) Standard cost per gram to compete production	Level 3 input
(e) Cumulative stage of completion in production process	Level 3 input

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

Significant inputs or assumption	Range of inputs	Sensitivity	Effect on fair value		
			2017	2016	2015
			\$	\$	\$
Selling price per gram*	\$3.83 to \$3.90	Increase or decrease of \$1 per gram	514,055	500,351	483,733
Average yield per plant	302 to 370 grams	Increase or decrease by 5 grams per plant	27,121	31,692	30,640

*Selling price per gram is based on average selling prices for the period.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

As of December 31, 2017, 2016 and 2015, the biological assets were on average 43%, 43% and 30% complete, respectively. During the years ended December 31, 2017, 2016 and 2015, the Company's biological assets produced 1,106,825 grams, 794,338 grams and nil grams of dried cannabis, respectively.

7. LOANS RECEIVABLE

Loans receivable includes two loans provided by the Company to third parties, amounting to \$200,000 and \$40,000 in 2017.

In August 2017 the Company made a short-term loan of \$200,000 which carried an interest rate of 24% per annum, payable monthly and was secured by real estate. This loan was initially due in December 2017 but was subsequently amended to extend the maturity date to February 2018 in exchange for additional fees and penalties. The Company received \$15,000 in interest payments for the year ended December 31, 2017. In November 2017 the Company made a short-term loan of \$40,000 to a vendor, which carried an interest rate of 2.5% and was due March 2018. The loan was secured by third party equipment.

The principal amounts outstanding for the both the loans as at December 31, 2017 are \$200,000 and \$40,000.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
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8. INTANGIBLE ASSETS

As at December 31, intangible assets having indefinite lives consisted of the following:

	2017	2016	2015
	\$	\$	\$
Product rights	25,018	25,018	25,018
Domain name	16,000	16,000	-
Trademarks	5,000	5,000	-
	46,018	46,018	25,018

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings & leasehold improvements	Furniture & fixtures	Office equipment	Machinery & equipment	Auto & trucks	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at January 1, 2015	-	70,493	-	4,727	-	-	75,220
Additions	-	2,368,487	6,993	42,482	728,186	10,435	3,156,583
As at December 31, 2015	-	2,438,980	6,993	47,209	728,186	10,435	3,231,803
Additions	-	65,072	2,862	15,106	56,731	-	139,771
As at December 31, 2016	-	2,504,052	9,855	62,315	784,917	10,435	3,371,574
Additions	600,000	2,199,625	12,340	8,857	69,764	-	2,890,586
As at December 31, 2017	600,000	4,703,677	22,195	71,172	854,681	10,435	6,262,160
Depreciation							
As at April 1, 2015	-	-	-	127	-	-	127
Depreciation	-	-	19	3,561	-	348	3,928
As at December 31, 2015	-	-	19	3,688	-	348	4,055
Depreciation	-	58,738	1,272	10,946	140,666	-	211,622
As at December 31, 2016	-	58,738	1,291	14,634	140,666	348	215,677
Depreciation	-	83,048	1,662	12,934	162,760	2,087	262,491
As at December 31, 2017	-	141,786	2,953	27,568	303,426	2,435	478,168
Net book value							
As at December 31, 2015	-	2,438,980	6,974	43,521	728,186	10,087	3,227,748
As at December 31, 2016	-	2,445,314	8,564	47,681	644,251	10,087	3,155,897
As at December 31, 2017	600,000	4,561,891	19,242	43,604	551,255	8,000	5,783,992

As at December 31, 2017, buildings and leasehold improvements include borrowing costs of \$204,660, capitalized in connection with loan used for the construction of buildings (2016: \$204,660 and 2015: \$172,809).

Depreciation expense for the years ended December 31, 2017, 2016 and 2015, of \$262,491, \$211,622 and \$3,928, respectively, is included in operating expenses.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
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10. INVESTMENT IN ASSOCIATE

The Company has a 52% participating interest in one of its related corporations. Management has concluded that the current participating interest does not provide control to the Company. Accordingly, the current investment has been accounted for as investment in associate using the equity method as detailed below:

	2017	2016
	\$	\$
Balance, at beginning	217,142	-
Additions	60,554	318,537
Share of income (loss)	922,955	(101,395)
Balance, at end	1,200,651	217,142

The following table presents a summary of statement of financial position and statement of operations of the investee:

	2017	2016
	\$	\$
Current assets	1,567,469	14,098
Non-current assets	2,076,211	1,732,563
Current liabilities	363,553	-
Revenue	7,135,024	-
Income (loss)	1,774,912	(194,990)

11. DEBTS PAYABLE

The details of debts payable were as follows:

	2017	2016	2015
	\$	\$	\$
Revolving line of credit promissory note (a)	6,561,818	6,154,927	4,415,061
Loan payable to a third party (b)	2,500,274	-	-
Finance lease obligation (c)	-	-	55,453
Total debts payable	9,062,092	6,154,927	4,470,514
Less: Current portion	(70,156)	(55,453)	(79,434)
Debts payable - Non-current portion	8,991,936	6,099,474	4,391,080

Total debt payable includes interest payable as of December 31, 2017, 2016, and 2015, of \$961,818, \$811,217, and \$235,628, respectively.

WASHOE WELLNESS, LLC
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11. DEBTS PAYABLE (continued)

As at December 31, 2017, the maturity profile of the principal amounts of debts outstanding are as follows:

Year ending December 31	\$
2018	70,156
2019	70,156
2020	70,156
2021	70,156
2022	2,149,494
Thereafter	5,600,000
	8,030,118

(a) Revolving line of credit promissory note

Debt under this arrangement represented financing obtained from a related corporation under an original Revolving Line of Credit Note dated November 5, 2014 of a maximum borrowing limit of \$2,500,000, which was revised from time to time. Effective January 1, 2017, the Company entered into a Restated Revolving Line of Credit, which replaced the revolving line of credit note with a straight promissory note of \$5,600,000 with maturity date extended indefinitely.

The promissory note carries an interest of 6% per annum to be paid monthly. If monthly payment of interest is not made timely, the interest for the period of the missed payment shall accrue at the default interest rate of 12%. The Company granted a 5% membership interest to the note holder due to the principal amount of note was not repaid by June 30, 2017 (First Repayment Date). Subsequently, a further 5% membership interest was granted to the note holder when the principal amount of the note was not repaid by December 31, 2017 (Second Repayment Date).

As at December 31, 2017, the entire principal amount remained outstanding. A 5% membership interest was granted to the note holder subsequent to the First Repayment Date, and a further 5% membership interest was granted to the note holder subsequent to the Second Repayment Date. In addition, as at that date, accrued interest, included in debts payable – non-current portion, the amount of \$961,818 has remained unpaid (2016: \$811,217 and 2015: \$235,628). The principal amounts outstanding as at December 31, 2017, 2016 and 2015 were \$5,600,000, \$5,288,256 and \$4,100,000, respectively.

(b) Loan payable to a third party

Effective August 24, 2017, the Company obtained a loan of \$2,525,000 for a term of five years from a third party. This loan carries interest at 5% per annum with a monthly blended payment of \$16,664, started from October 1, 2017 with a final payment of \$2,123,899 on September 1, 2022. The loan is secured by a deed of trust with assignment of rents on the Company's land and buildings in favour of the lender.

(c) Finance lease obligation

The amount outstanding at December 31, 2016 and 2015 represented an obligation in connection with an equipment obtained under a finance lease arrangement. The lease carried an interest of 5.55% compounded annually with a monthly blended payment. The Company paid all its obligations before December 31, 2017.

WASHOE WELLNESS, LLC
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12. MEMBERS' EQUITY

Pursuant to the Operating Agreement entered between the Members and Managers of the Company dated November 5, 2014, the members made an initial cash contribution of \$100,000 during the period ended December 31, 2014.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the consolidated financial statements, related party transactions and balances are as follows:

Included in other income for the year ended December 31, 2017 is management fee of \$201,000, received from a related corporation (December 31, 2016 and 2015 \$nil). The management fee started on January 1, 2017 and was paid monthly. The monthly fee varied based on an allocation of the Company's expenses and was a month-to-month arrangement.

During the period ended December 31, 2017, sales of \$2,628,303 made to a related corporation is included in revenue and purchase of \$983,488 from a related corporation is included in cost of goods sold.

Advance from a related corporation of \$150,190, outstanding as at December 31, 2017 (December 31, 2016 and 2015 - \$nil) is unsecured, interest free and is repayable on demand.

The following outlines the compensation of the Company's key management personnel:

	2017	2016	2015
	\$	\$	\$
Salaries and benefits to key management personnel	179,754	193,890	-

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements. As at December 31, 2017, 2016 and 2015, the capital of the Company was \$2,444,394, \$185,489 and \$887,131, respectively.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the Members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

15. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2017	2016	2015
	\$	\$	\$
Salaries and benefits	531,962	325,025	-
Rent [Note 15]	10,284	6,031	87,780
Taxes and licenses	38,698	20,015	18,719
Professional and consulting fees	47,494	72,227	422,806
Insurance	31,044	37,908	8,738
Office expenses	30,638	19,924	10,120
Computer expenses	50,495	46,838	11,187
Shipping expenses	62,021	31,382	189
Utilities	4,111	2,803	12,533
Others	35,992	26,162	30,317
	842,739	588,315	584,913

16. COMMITMENTS AND CONTINGENCIES

Operating leases

Effective March 1, 2017, the Company conducted operations in facilities leased from a related party. The leases expire through 2022 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
2018	236,244
2019	243,336
2020	250,634
2021	258,156
2022	41,236
	1,029,606

Total rent expensed for the years ended December 31, 2017, 2016 and 2015 were \$10,284, \$6,031, \$87,780, respectively.

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at December 31, 2017, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

16. COMMITMENTS AND CONTINGENCIES (continued)

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

17. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, advance to a related corporation, trade payables, accrued liabilities, advance to a related corporation and debts payable.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

17. FINANCIAL RISK FACTORS (continued)

Financial assets	Carrying values			Fair values	
	FVTPL	AFS	L&R	Total	Total
December 31, 2017	\$	\$	\$	\$	\$
Cash	1,435,345	-	-	1,435,345	1,435,345
Accounts receivable	-	-	130,890	130,890	130,890
	1,435,345	-	130,890	1,566,235	1,566,235
December 31, 2016					
Cash	133,375	-	-	133,375	133,375
Accounts receivable	-	-	67,105	67,105	67,105
	133,375	-	67,105	200,480	200,480
December 31, 2015					
Cash	116,572	-	-	116,572	116,572
Accounts receivable	-	-	-	-	-
	116,572	-	-	116,572	116,572

Financial liabilities	Carrying values		Fair values	
	FVTPL	Other liabilities	Total	Total
December 31, 2017	\$	\$	\$	\$
Trade payables	-	213,856	213,856	213,856
Accrued liabilities	-	92,368	92,368	92,368
Advance from a related corporation	-	150,190	150,190	150,190
Debts payable	-	9,062,092	9,062,092	9,062,092
	-	9,518,506	9,518,506	9,518,506
December 31, 2016				
Trade payables	-	63,202	63,202	63,202
Accrued liabilities	-	32,232	32,232	32,232
Advance from a related corporation	-	-	-	-
Debts payable	-	6,154,927	6,154,927	6,154,927
	-	6,250,361	6,250,361	6,250,361
December 31, 2015				
Trade payables	-	86,262	86,262	86,262
Accrued liabilities	-	4,934	4,934	4,934
Advance from a related corporation	-	-	-	-
Debts payable	-	4,470,514	4,470,514	4,470,514
	-	4,561,710	4,561,710	4,561,710

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

17. FINANCIAL RISK FACTORS (continued)

The Company's financial instruments as at December 31, 2017, 2016 and 2015 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. For its accounts receivable, the Company ensures to deal with creditworthy customers. As at December 31, 2017, 2016 and 2015 the maximum amount exposed to credit risks was \$1,566,235, \$200,480 and \$116,572, respectively.

During the period ended December 31, 2017, revenue from one customer is approximately 43% of total revenue and purchases of raw materials from two suppliers were approximately 40% of total purchase.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at December 31, 2017, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debts.

18. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2017, 2016 and 2015, the Company's operations comprise a single reporting operating and geographical segment engaged in the growing, processing and distribution of cannabis.

WASHOE WELLNESS, LLC
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

19. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December 6, 2018, the date the consolidated financial statements were issued, and determined the following event:

On January 1, 2018, the Company borrowed \$125,000 in connection with the purchase of land. The loan bears interest at a rate of 6% per annum and is due in January 2023. The loan required a payment of \$12,500 to be made on January 31, 2018 as well as a payment of \$77,500 due April 30, 2018. The remaining balance of the loan is to be paid with a monthly payment. The loan is secured by a deed of trust.

On June 1, 2018 the Company entered into consulting agreements with a related party. Under these agreements TRE and TRB each pay \$20,000 per month (\$40,000 per month in total) for administrative, support, and management services. These agreements have a three-year term and automatically renew every three years unless any party gives notice of their intent to terminate the agreement. Any party may also terminate the agreement at any time with 120 days' notice. In connection entering into the consulting agreement, the Company terminated its existing management agreement with a related party on May 31, 2018 and no longer receives management fees as of that date.

On July 23, 2018, the Company borrowed \$190,000 in connection with the purchase of land. The loan bears interest at a rate of 6% per annum and is due in 2023. Monthly installments of principal and interest in an amount of \$3,673 beginning on July 23, 2020. The loan is secured by a deed of trust. Should the Company prepay this loan by July 23, 2019, the principal amount will be reduced by \$25,000.

In a series of transaction in Q2 2018, the Company adjusted its capital structure. On May 31, 2018, the Company (i) added additional members, granting them membership interests in exchange for services provided on a historical and ongoing basis, (ii) created a revised membership class structure to reflect these new members and (iii) allowed an existing member to make an additional capital contribution to the Company. On Jun 4, 2018, the aforementioned member increased the amount of the additional capital contribution of \$1,100,000.

On September 21, 2018, the Company entered into a non-exclusive agreement to package and supply a variety of Willie's Reserve branded products in Nevada through March 31, 2019.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX H – WASHOE UNAUDITED INTERIM FINANCIAL STATEMENTS

WASHOE WELLNESS, LLC

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**

(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

WASHOE WELLNESS, LLC
Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2018 and 2017

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MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Members of Washoe Wellness, LLC:

The accompanying unaudited condensed interim consolidated financial statements and other financial information in this report were prepared by management of Washoe Wellness, LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the unaudited condensed interim consolidated financial statements and believes that they fairly present the Company's consolidated financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's unaudited condensed interim consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of unaudited condensed interim consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

December 6, 2018

"Mark Pitchford" (signed)
Chief Executive Officer

"Lilian Yohn" (signed)
Chief Financial Officer

WASHOE WELLNESS, LLC
Unaudited Condensed Interim Consolidated Statements of Financial Position
At September 30, 2018 and December 31, 2017

	September 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current		
Cash	487,749	1,435,345
Accounts receivable, no allowance	135,011	130,890
Inventory [Note 5]	2,082,286	1,144,188
Biological assets [Note 6]	1,689,684	1,232,350
Loans receivable [Note 7]	-	240,000
Prepaid expenses and other assets	376,260	749,466
	4,770,990	4,932,239
Intangible assets [Note 8]	77,894	46,018
Property, plant and equipment [Note 9]	8,135,638	5,783,992
Investment in associate [Note 10]	1,634,809	1,200,651
Total assets	14,619,331	11,962,900
LIABILITIES		
Current		
Trade payables	1,124,836	213,856
Accrued liabilities	133,642	92,368
Advance from a related corporation [Note 13]	-	150,190
Debts payable - current portion [Note 11]	28,394	70,156
	1,286,872	526,570
Debts payable - Non-current portion [Note 11]	9,209,764	8,991,936
Total liabilities	10,496,636	9,518,506
MEMBERS' EQUITY	4,122,695	2,444,394
Total liabilities and members' equity	14,619,331	11,962,900

Nature of operations [Note 1]

Commitments and contingencies [Note 16]

Subsequent events [Note 19]

Approved and authorized by the Board of Directors on December 6, 2018

“Mark Pitchford” (signed)

Chief Executive Officer

“Lilian Yohn” (signed)

Chief Financial Officer

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

WASHOE WELLNESS, LLC
Unaudited Condensed Interim Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2018 and 2017

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Revenues, net of discounts	2,237,807	1,872,688	5,628,048	4,968,055
Cost of goods sold before biological asset adjustment	1,178,479	1,528,702	2,827,174	3,804,756
Gross profit before biological asset adjustment	1,059,328	343,986	2,800,874	1,163,299
Fair value changes in biological assets included in cost of sales	(242,075)	(265,366)	(726,225)	(796,097)
Unrealized gain on biological asset transformation	497,144	389,122	1,491,432	1,167,367
Gross profit	1,314,397	467,742	3,566,081	1,534,569
Expenses				
General and administrative [Note 15]	127,898	251,968	600,829	636,352
Sales and marketing	47,901	4,939	122,797	69,040
Depreciation [Note 9]	94,372	9,831	252,556	20,056
Management fee [Note 13]	120,000	-	160,000	-
Total expenses	390,171	266,738	1,136,182	725,448
Income from operations	924,226	201,004	2,429,899	809,121
Other (income) expense				
Share of income on equity investments [Note 10]	(538,578)	(658,834)	(1,345,699)	(403,033)
Interest expense	115,973	80,152	336,818	334,045
Interest income	-	(4,000)	(12,067)	(4,000)
Management fee income [Note 13]	-	(53,500)	(125,000)	(141,000)
Rental income and others	(22,560)	(13,348)	(68,244)	(13,348)
Total other (income) expense	(445,165)	(649,530)	(1,214,192)	(227,336)
Net income	1,369,391	850,534	3,644,091	1,036,457

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

WASHOE WELLNESS, LLC
Unaudited Condensed Interim Consolidated Statements of Changes in Members' Equity
For the Three and Nine Months Ended September 30, 2018 and 2017

	Members' Equity
	\$
Balance as at January 1, 2018	2,444,394
Contributions	1,100,000
Distributions	(3,067,552)
Net income	3,644,091
Balance as at September 30, 2018	4,120,933
Balance as at January 1, 2017	185,489
Contributions	5,000
Distributions	(80,000)
Net income	1,036,457
Balance as at September 30, 2017	1,146,946

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

WASHOE WELLNESS, LLC
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017

	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Operating activities		
Net income	3,644,091	1,036,457
<i>Adjustments for items not affecting cash:</i>		
Depreciation	252,556	20,056
Share of income on equity investments	(1,345,699)	(403,033)
Fair value changes in biological assets included in cost of sales	726,225	796,097
Unrealized gain on biological asset transformation	(1,491,432)	(1,167,367)
<i>Changes in working capital items:</i>		
Accounts receivable	(4,121)	(321,749)
Inventory	(938,098)	562,699
Biological assets	307,873	213,682
Prepaid expenses and other assets	373,206	(157,635)
Trade payables	910,980	36,556
Accrued liabilities	41,274	107,319
Advance from a related corporation	(150,190)	406,806
Cash provided by operating activities	2,326,665	1,129,888
Investing activities		
Purchase of intangible assets	(31,876)	-
Investment in associate	911,541	(67,204)
Payments received on notes receivable	240,000	-
Purchase of property, plant and equipment	(2,400,597)	(2,705,108)
Cash used in investing activities	(1,280,932)	(2,772,312)
Financing activities		
Contributions	1,100,000	5,000
Distributions	(3,067,552)	(80,000)
Proceeds from issuance of debts payable	-	2,972,475
Repayments of debts payable	(25,777)	-
Cash (used in) provided by financing activities	(1,993,329)	2,897,475
Net (decrease) increase in cash	(947,596)	1,255,051
Cash, beginning of year	1,435,345	133,375
Cash, end of year	487,749	1,388,426
<i>Supplemental cash flow information</i>		
Interest paid	336,818	142,862

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

WASHOE WELLNESS, LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

1. NATURE OF OPERATIONS

Washoe Wellness, LLC (“Washoe” or the “Company”) was incorporated as a Limited Liability Company on June 23, 2014 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 1645 Crane Way, Sparks, NV 89431.

The Company’s management, operations, structure and other matters are governed through an Operating Agreement entered between the Members and Managers of the Company on November 5, 2014. The Company’s principal activities, through its subsidiaries, are the growing, processing and distribution of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 (and comparative results for the three and nine months ended September 30, 2017) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 financial statements and notes and have been prepared using the same accounting policies described in Note 3 to the 2017 financial statements and notes.

These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on December 6, 2018.

2.2 Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The unaudited condensed interim consolidated financial statements are presented in US dollars which is the presentation and functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries – Tahoe-Reno Extractions, LLC (“TRE”), Tahoe-Reno Botanicals, LLC (“TRB”) and DWC Investments, LLC, Limited Liabilities Companies, and KLYMB Project Management, Inc., incorporated in the state of Nevada. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

WASHOE WELLNESS, LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

4. CHANGES IN ACCOUNTING STANDARDS

Changes in accounting standards adopted

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVTOCI”) and FVTPL. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. The Company adopted IFRS 15 effective from January 1, 2018. The adoption did not result in any material change.

WASHOE WELLNESS, LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards adopted (continued)

IAS 16 and IAS 41, Bearer plants

The Company has implemented amendments to IAS 16 and IAS 41, which became effective for annual periods beginning on January 1, 2016. These amendments are summarized below.

- Bearer plants' are accounted for as property, plant and equipment and measured at initial recognition at cost or revaluation basis.
- Bearer plants are defined as a living plant that are used in the production or supply of agricultural produce. Such plants are expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Bearer plants remain within the scope of IAS 41.

The amendments described above are consistent with the Company's accounting practices.

Changes in accounting standards not yet effective

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

WASHOE WELLNESS, LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

5. INVENTORY

The Company's inventory includes the following:

	September 30, 2018			December 31, 2017		
	Capitalized cost	Fair value adjustment	Carrying value	Capitalized cost	Fair value adjustment	Carrying value
	\$	\$	\$	\$	\$	\$
<i>Harvested cannabis</i>						
Work in process	95,376	(34,160)	61,216	145,283	45	145,328
Finished goods	155,988	185,929	341,917	29,348	26,493	55,841
	251,364	151,769	403,133	174,631	26,538	201,169
<i>Production Assets</i>						
Raw materials	128,405	43,190	171,595	168,328	65,352	233,680
Work in process	367,398	119,904	487,302	298,196	111,815	410,011
Finished goods	202,555	47,913	250,468	138,371	23,699	162,070
	698,358	211,007	909,365	604,895	200,866	805,761
Accessories and supplies	769,788	-	769,788	137,258	-	137,258
	1,719,510	362,776	2,082,286	916,784	227,404	1,144,188

Inventories expensed as cost of goods sold during the nine months ended September 30, 2018 and 2017 are \$2,750,361 and \$2,908,973, respectively. These exclude the fair market value changes of biological assets.

Non-cash expense relating to change in fair value of inventory sold recognized during the nine months ended September 30, 2018 and 2017, are \$1,491,432 and \$1,167,367, respectively.

6. BIOLOGICAL ASSETS

The continuity of biological assets was as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, at beginning	1,232,350	1,043,041
Production costs	1,926,718	2,887,977
Fair value change	1,491,432	1,167,367
Transferred to inventory upon harvest	(2,960,816)	(3,866,035)
Balance, at end	1,689,684	1,232,350

As at September 30, 2018, the weighted average fair value less cost to complete and cost to sell was \$2.74 per gram (December 31, 2017: \$ 2.4 per gram).

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6. BIOLOGICAL ASSETS (continued)

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

(a) Selling price per gram;	Level 3 input
(b) Attrition rate;	Level 3 input
(c) Average yield per plant;	Level 3 input
(d) Standard cost per gram to compete production	Level 3 input
(e) Cumulative stage of completion in production process	Level 3 input

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

Significant inputs or assumption	Range of inputs	Sensitivity	Effect on fair value	
			September 30, 2018	December 31, 2017
			\$	\$
Selling price per gram*	\$3.90 to \$4.20	Increase or decrease of \$1 per gram	617,716	514,055
Average yield per plant	349 to 370	Increase or decrease by 5 grams per plant	37,191	27,121

*Selling price per gram is based on average selling prices for the period.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

As of September 30, 2018 and December 31, 2017, the biological assets were on average 56%, and 43% complete, respectively. During the period ended September 30, 2018 and year ended December 31, 2017, the Company's biological assets produced 791,416 grams and 1,106,825 grams of dried cannabis, respectively.

7. LOANS RECEIVABLE

Loans receivable includes two loans provided by the Company to third parties, amounting to \$200,000 and \$40,000 in 2017. In August 2017 the Company made a short-term loan of \$200,000 which carried an interest rate of 24% per annum, payable monthly and was secured by real estate. This loan was initially due in December 2017 but was subsequently amended to extend the maturity date to February 2018 in exchange for additional fees and penalties. The Company received \$15,000 in interest payments for the year ended December 31, 2017. In November 2017 the Company made a short-term loan of \$40,000 to a vendor, which carried an interest rate of 2.5% and was due March 2018. The loan was secured by third party equipment.

There is no principal amounts outstanding for both the loans as at September 30, 2018 (December 31, 2017: \$200,000 and \$40,000).

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8. INTANGIBLE ASSETS

September 30, 2018 intangible assets having indefinite lives consisted of the following:

	September 30, 2018 \$	December 31, 2017 \$
Product rights	56,894	25,018
Domain name	16,000	16,000
Trademarks	5,000	5,000
	77,894	46,018

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings & leasehold improvements	Furniture & fixtures	Office equipment	Machinery & equipment	Auto & trucks	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at December 31, 2017	600,000	4,703,677	22,195	71,172	854,681	10,435	6,262,160
Additions	127,796	2,036,101	23,524	32,852	156,438	23,886	2,400,597
As at September 30, 2018	727,796	6,739,778	45,719	104,024	1,011,119	34,321	8,662,757
Depreciation							
As at December 31, 2017	-	141,786	2,953	27,568	303,426	2,435	478,168
Depreciation	-	94,865	3,427	13,735	135,382	5,147	252,556
As at September 30, 2018	-	236,651	6,380	41,303	438,808	7,582	730,724
Net book value							
As at December 31, 2017	600,000	4,561,891	19,242	43,604	551,255	8,000	5,783,992
As at September 30, 2018	727,796	6,503,127	39,339	62,721	572,311	26,739	7,932,033

As at September 30, 2018, buildings and leasehold improvements include borrowing costs of \$204,660, capitalized in connection with loan used for the construction of buildings (December 31, 2017: \$204,660).

Depreciation expense for the nine months ended September 30, 2018 and 2017, is \$252,556 and \$20,056, respectively, is included in operating expenses.

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10. INVESTMENT IN ASSOCIATE

The Company has a 52% participating interest in one of its related corporations. Management has concluded that the current participating interest does not provide control to the Company. Accordingly, the current investment has been accounted for as investment in associate using the equity method as detailed below:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, at beginning	1,200,651	217,142
Additions (deletions)	(911,541)	60,554
Share of income	1,345,699	922,955
Balance, at end	1,634,809	1,200,651

The following table presents a summary of the statement of financial position and statement of operations of the investee:

	September 30, 2018	December 31, 2017
	\$	\$
Current assets	1,960,102	1,567,469
Non-current assets	3,010,012	2,076,211
Current liabilities	665,158	363,553
Revenue	8,239,926	7,135,024
Income	2,589,609	1,774,912

11. DEBTS PAYABLE

The details of debts payable were as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Revolving line of credit promissory note (a)	6,561,818	6,561,818
Loan payable to a third party (b)	2,676,340	2,500,274
Total debts payable	9,238,158	9,062,092
Less: Current portion	(28,394)	(70,156)
Debts payable - Non-current portion	9,209,764	8,991,936

Total debt payable includes interest payable as of September 30, 2018 and December 31, 2017 was \$961,818 and \$961,818, respectively.

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11. DEBTS PAYABLE (continued)

As at September 30, 2018, the maturity profile of the principal amounts of debts outstanding are as follows:

Year ending December 31	\$
Three months 2018	5,377
2019	70,156
2020	86,701
2021	105,743
2022	2,304,672
Thereafter	5,703,691
	8,276,340

(a) Revolving line of credit promissory note

Debt under this arrangement represented financing obtained from a related corporation under an original Revolving Line of Credit note dated November 5, 2014 of a maximum borrowing limit of \$2,500,000, which was revised from time to time. Effective, January 1, 2017, the Company entered into a Restating Revolving Line of Credit, which replaced the revolving line of credit note with a straight promissory note of \$5,600,000 with maturity date extended indefinitely.

The promissory note carries an interest of 6% per annum to be paid monthly. If monthly payment of interest is not made timely, the interest for the period of the missed payment shall accrue at the default interest rate of 12%. The Company granted a 5% membership interest to the note holder due to the principal amount of note was not repaid by June 30, 2017 (First Repayment Date). Subsequently, a further 5% membership interest was granted to the note holder when the principal amount of the note was not repaid by December 31, 2017 (Second Repayment Date).

As at September 30, 2018, the entire principal amount remained outstanding. A 5% membership interest was granted to the note holder subsequent to the First Repayment Date, and a further 5% membership interest was granted to the note holder subsequent to the Second Repayment Date. In addition, as at that date, accrued interest, included in debts payable – non-current portion, the amount of \$961,818 has remained unpaid (December 31, 2017: \$961,818). The principal amounts outstanding as at September 30, 2018 and December 31, 2017, were \$5,600,000 and \$5,600,000, respectively.

(b) Loan payable to a third party

Effective August 24, 2017, the Company obtained a loan of \$2,525,000 for a term of five years from a third party. This loan carries interest at 5% per annum with a monthly blended payment of \$16,664, started from October 1, 2017 with a final payment of \$2,123,899 on September 1, 2022. The loan is secured by a deed of trust with assignment of rents on the Company's land and buildings in favour of the lender.

(c) Loan payable to a third party

On January 1, 2018, the Company borrowed \$125,000 in connection with the purchase of land. The loan bears interest at a rate of 6% per annum and is due in January 2023. The loan required a payment of \$12,500 to be made on January 31, 2018 as well as a payment of \$77,500 due April 30, 2018. The remaining balance of the loan is to be paid with a monthly payment. The loan is secured by a deed of trust.

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11. DEBTS PAYABLE (continued)

(d) Loan payable to a third party

On July 23, 2018, the Company borrowed \$190,000 in connection with the purchase of land. The loan bears interest at a rate of 6% per annum and is due in 2023. Monthly installments of principal and interest in an amount of \$3,673 beginning on July 23, 2020. The loan is secured by a deed of trust. Should the Company prepay this loan by July 23, 2019, the principal amount will be reduced by \$25,000.

12. MEMBERS' EQUITY

In a series of transaction in Q2 2018, the Company adjusted its capital structure. On May 31, 2018, the Company (i) added additional members, granting them membership interests in exchange for services provided on a historical and ongoing basis, (ii) created a revised membership class structure to reflect these new members and (iii) allowed an existing member to make an additional capital contribution to the Company. On Jun 4, 2018, the aforementioned member increased the amount of the additional capital contribution of \$1,100,000.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the consolidated financial statements, related party transactions and balances are as follows:

Included in other income for the nine months ended September 30, 2018 and 2017 is management fees of \$125,000 and \$141,000, respectively received from a related Corporation.

During the period ended September 30, 2018, sales of \$1,413,286 made to a related corporation is included in revenue and purchase of \$627,618 from a related corporation is included in cost of goods sold.

Advance from a related corporation outstanding at September 30, 2018 is \$nil (December 31, 2017 - \$150,190) is unsecured, interest free and is repayable on demand.

During the nine months ended September 30, 2018 and 2017, management fees of \$160,000 and \$nil, respectively, were paid to a related party under consulting agreements. TRE and TRB each pay \$20,000 per month (\$40,000 per month in total) under these agreements, which were executed and were effective on June 1, 2018. These agreements have a three-year term and automatically renew every three years unless any party gives notice of their intent to terminate the agreement. Any party may also terminate the agreement at any time with 120 days notice.

The following outlines the compensation of the Company's key management personnel:

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	\$	\$
Salaries and benefits to key management personnel	87,215	130,500

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14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements. As at September 30, 2018, the capital of the Company was \$4,120,933 (year ended December 31, 2017: \$2,444,394).

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the Members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

15. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	\$	\$	\$	\$
Salaries and benefits	31,697	140,287	328,293	373,537
Rent [Note 16]	-	2,571	7,872	5,586
Taxes and licenses	3,475	1,855	5,149	38,596
Professional and consulting fees	29,444	10,676	57,787	31,821
Office expenses	8,514	13,125	23,742	22,000
Computer expenses	14,638	10,829	57,987	35,244
Shipping expenses	14,373	16,695	39,762	49,724
Utilities	2,287	2,046	8,486	4,904
Others	23,470	53,884	71,751	74,939
	127,898	251,968	600,829	636,352

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16. COMMITMENTS AND CONTINGENCIES

Operating leases

Effective March 1, 2017, the Company conducted operations in facilities leased from a related party. The leases expire through 2022 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
Three months 2018	59,061
2019	243,336
2020	250,634
2021	258,156
2022	41,236
	852,423

Total rent expensed for the nine months ended September 30, 2018 and 2017 were \$7,872, and \$5,586, respectively.

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at September 30, 2018 cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2018 there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

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16. COMMITMENTS AND CONTINGENCIES (continued)

Management Fees

On June 1, 2018 the Company entered into consulting agreements with a related party. Under these agreements TRE and TRB each pay \$20,000 per month (\$40,000 per month in total) for administrative, support, and management services. These agreements have a three-year term and automatically renew every three years unless any party gives notice of their intent to terminate the agreement. Any party may also terminate the agreement at any time with 120 days notice. Future minimum payments under this agreement, assuming no party terminates the agreements prior to the three-year initial term, are as follows:

Year ending December 31	\$
Three months 2018	120,000
2019	480,000
2020	480,000
2021	200,000
	1,280,000

17. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, advance to a related corporation, trade payables, accrued liabilities, advance from a related corporation and debts payable.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

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17. FINANCIAL RISK FACTORS (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	FVTOCI	AC	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Cash	487,749	-	-	487,749	487,749
Accounts receivable	-	-	135,011	135,011	135,011
	487,749	-	135,011	622,760	622,760

December 31, 2017					
Cash	1,435,345	-	-	1,435,345	1,435,345
Accounts receivable	-	-	130,890	130,890	130,890
	1,435,345	-	130,890	1,566,235	1,566,235

Financial liabilities	Carrying values			Fair values	
	FVTPL	AC	Total	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Trade payables	-	1,124,836	1,124,836	1,124,836	1,124,836
Accrued liabilities	-	1,095,460	1,095,460	1,095,460	1,095,460
Advance from a related corporation	-	-	-	-	-
Debts payable	-	8,074,497	8,074,497	8,074,497	8,074,497
	-	10,294,793	10,294,793	10,294,793	10,294,793

December 31, 2017	\$	\$	\$	\$	\$
Trade payables	-	213,856	213,856	213,856	213,856
Accrued liabilities	-	92,368	92,368	92,368	92,368
Advance from a related corporation	-	150,190	150,190	150,190	150,190
Debts payable	-	9,062,092	9,062,092	9,062,092	9,062,092
	-	9,518,506	9,518,506	9,518,506	9,518,506

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17. FINANCIAL RISK FACTORS (continued)

The Company's financial instruments as at September 30, 2018 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. For its accounts receivable, the Company ensures to deal with creditworthy customers. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$622,760 and \$1,566,235, respectively.

During the period ended September 30, 2018, revenue from one customer is approximately 52% of total revenue and purchases of raw materials from one supplier were approximately 23% of total purchase.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long term debts.

18. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At September 30, 2018 the Company's operations comprise a single reporting operating and geographical segment engaged in the growing, processing and distribution of cannabis.

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19. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December 6, 2018, the date the consolidated financial statements were issued, and determined the following event:

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX I – MANAGEMENT’S DISCUSSION & ANALYSIS OF WASHOE

Management's Discussion and Analysis – Washoe Wellness, LLC

Overview

Washoe is a Nevada-based cannabis company operating in both the medical and adult use segments of the Nevada cannabis market.

Major Business Lines and Geographies

Washoe views its financial results under the cannabis cultivation and production business line. Washoe generates all of its revenue in the State of Nevada.

Cannabis Cultivation and Production

Washoe is a licensed, integrated cannabis operator with cultivation, extraction, processing, manufacturing and distribution capabilities. Washoe's business is cannabis cultivation and selling both raw cannabis and other cannabis products.

Washoe generates revenue by selling its products to dispensaries in Nevada, including raw cannabis, cannabis oil, and cannabis consumer goods.

Geographic Areas

All of Washoe's revenue is derived from the Nevada cannabis market.

Market Update and Washoe's Objectives

Washoe has state-of-the-art cultivation, extraction, processing, and distribution capabilities and specializes in craft cannabis and a range of premium cannabis-infused THC and CBD blended products. These products are specifically created to meet the needs of its patients and recreational customers alike. Washoe's objectives have been to grow its business by expanding its cultivation footprint, creating a recognizable brand, and a strategic multi-format marketing plan. Given the strong growth in the Nevada cannabis market, management believes that expanding Washoe's cultivation footprint while also investing in more advanced marketing are particularly attractive.

Results of Operations

Annual Results of Operations

(\$ in millions)

	12 months ended December 31,		
	2017	2016	2015
Revenue	6.1	1.9	--
Cost of Goods Sold ¹	4.9	3.3	1.2
Gross Profits ²	1.4	2.8	0.7
General and Administrative Expenses	3.1	0.8	0.6
Sales and Marketing Expense	0.3	0.1	0.0
Income (loss) from operations	(0.4)	1.6	(0.1)
Net income (loss)	(3.6)	2.3	(0.7)
Total Assets	21.8	12.0	6.4
Current Liabilities	2.5	0.6	0.2

¹ Before biological asset adjustment.

² Before biological asset adjustment.

Total Liabilities	22.7	9.5	6.3
Total Net Assets	(0.9)	2.4	0.2

Revenue

2017

For the year ended December 31, 2017, revenue was \$6.1 million, which represents an increase of \$4.2 million or 221.1% from the prior year amount of \$1.9 million. This change was primarily driven by increased demand from the launch of Nevada's legal adult-use program in July 2017.

2016

For the year ended December 31, 2016, revenue was \$1.9 million, which represents an increase of \$1.9 million from the prior year amount of \$0.0 million. This increase was driven by Washoe's commencement of sales in 2016.

Cost of Goods Sold (Before Biological Asset Adjustment)

2017

For the year ended December 31, 2017, cost of goods sold was \$3.3 million, which represents an increase of \$2.1 million or 175.0% from the prior year amount of \$1.2 million. This increase was driven by the increased demand on Washoe's cultivation, extraction, manufacturing, and production operations from the launch of Nevada's legal adult-use program in July 2017.

2016

For the year ended December 31, 2016, cost of goods sold was \$1.2 million, which represents an increase of \$1.2 million from the prior year amount of \$0.0 million. This increase was driven by Washoe's increased cultivation, extraction, manufacturing, and production activity to support its first sales.

General and Administrative Expenses

2017

For the year ended December 31, 2017, general and administrative expenses were \$0.8 million, which represents an increase of \$0.2 million or 33.3% from the prior year amount of \$0.6 million. This increase was driven by higher costs to support Washoe's sales growth.

2016

For the year ended December 31, 2016, general and administrative expenses were \$0.6 million, which represents an increase of \$0.0 million or 0.0% from the prior year amount of \$0.6 million. This increase was driven by higher costs to enable Washoe's first sales in 2016.

Sales and Marketing Expenses

2017

For the year ended December 31, 2017, sales and marketing expenses were \$0.1 million, which represents an increase of \$0.1 million from the prior year amount of \$0.0 million. This increase was driven by activity supporting Washoe's wholesale operations.

2016

For the year ended December 31, 2016, sales and marketing expenses were \$0.0 million, which represents an increase of \$0.0 million from the prior year amount of \$0.0 million. Washoe did not dedicate material resources to sales and marketing operations in 2015 or 2016.

Quarterly Results of Operations

(\$ in millions)

	3 months ended September 30,		9 months ended September 30,	
	2018	2017	2018	2017
Revenue	2.2	1.9	5.6	5.0
Cost of Goods Sold ³	1.2	1.5	2.8	3.8
Gross Profits ⁴	1.1	0.3	2.8	1.2
General and Administrative Expenses	0.1	0.3	0.6	0.6
Sales and Marketing Expense	0.0	0.0	0.1	0.1
Income from operations	0.9	0.2	2.4	0.8
Net income	1.4	0.9	3.6	1.0

Revenue

For the three months ended September 30, 2018, revenue was \$2.2 million, which represents an increase of \$0.3 million or 15.8% from the prior year amount of \$1.9 million. This increase is primarily due to increased demand from the launch of Nevada's legal adult-use program in July 2017 and Washoe's increased cultivation footprint.

For the nine months ended September 30, 2018, revenue was \$5.6 million, which represents an increase of \$0.6 million or 12.0% from the prior year amount of \$5.0 million. This increase is primarily due to increased demand from the launch of Nevada's legal adult-use program in July 2017 and Washoe's increased cultivation footprint.

Cost of Goods Sold (Before Biological Asset Adjustment)

For the three months ended September 30, 2018, cost of goods sold was \$1.2 million, which represents a change of \$(0.3) million or (20.0%) from the prior year amount of \$1.5 million. This decrease is primarily due to the reversal of a buildup that occurred the prior year in anticipation of the launch of Nevada's legal adult-use regime in July 2017 and is offset by Washoe's increased cultivation footprint.

For the nine months ended September 30, 2018, cost of goods sold was \$2.8 million, which represents a change of \$(1.0) million or (26.3%) from the prior year amount of \$3.8 million. This decrease is primarily due to the reversal of a buildup that occurred the prior year in anticipation of the launch of Nevada's legal adult-use regime in July 2017 and is offset by Washoe's increased cultivation footprint.

General and Administrative Expenses

For the three months ended September 30, 2018, general and administrative expenses were \$0.1 million, which represents a change of \$(0.2) million or (66.7%) from the prior year amount of \$0.3 million. This decrease is largely due to a reduction salaries and benefits offset by increased operating costs from increased demand and Washoe's larger cultivation footprint.

For the nine months ended September 30, 2018, general and administrative expenses were \$0.6 million, which represents a decrease of \$(0.0) million from the prior year amount of \$0.6 million. This level of spending is largely due to a reduction in salaries and benefits offset by increased operating costs from increased demand and Washoe's larger cultivation footprint.

³ Before biological asset adjustment.

⁴ Before biological asset adjustment.

Sales and Marketing Expenses

For the three months ended September 30, 2018, sales and marketing expenses were \$0.0 million, which represents an increase of \$0.0 million from the prior year amount of \$0.0 million. Washoe did not dedicate material resources to sales and marketing operations in 2017 or 2018.

For the nine months ended September 30, 2018, sales and marketing expenses were \$0.1 million, which represents an increase of \$0.0 million from the prior year amount of \$0.1 million. Washoe did not dedicate material resources to sales and marketing operations in 2017 or 2018

Liquidity and Capital Resources

Overview

Historically, Washoe's primary source of liquidity has been borrowing funds from its owners. Today, Washoe generates positive cash flow from its operations, and expects to continue to do so, and this cash flow is its principal source of liquidity.

Financial Condition

Cash Flows

The following table summarizes Washoe's consolidated statement of cash flows from continuing operations:

<i>(\$ in millions)</i>	9 months ended September 30,		12 months ended December 31,		
	2018	2017	2017	2016	2015
Cash provided by (used in)					
Operating activities	2.3	1.1	1.7	(1.2)	(1.0)
Investing activities	(1.5)	(2.8)	(3.2)	(0.5)	(3.2)
Financing activities	(1.8)	2.9	2.8	1.7	4.2
Net Change in Cash	(0.9)	1.3	1.3	0.0	(0.0)
Cash Balance, Beginning	1.4	0.1	0.1	0.1	0.1
Cash Balance, Ending	0.5	1.4	1.4	0.1	0.1

Cash Flow Provided by Operating Activities

Cash flow from operating activities increased by \$1.2 million for the nine month period ended September 30, 2018 compared to September 30, 2017. This increase was primarily driven by the increase in sales and was partially offset by shifting working capital needs related to the increase in sales.

Cash flow from operating activities increased by \$2.9 million in 2017 compared to 2016. This increase was primarily driven by the increase in sales and was partially offset by shifting working capital needs related to the increase in sales.

Cash flow from operating activities changed by \$(0.2) million in 2016 compared to 2015. This decrease was primarily driven by increased operating costs related to the commencement of sales.

Cash flow from operating activities in 2015 is \$(1.0) million.

Cash Flow Provided by (Used in) Investing Activities

Cash flow from investing activities increased by \$1.5 million for the nine month period ended September 30, 2018 compared to September 30, 2017. This increase was driven by dividends paid on an investment in an associated company and decreased spending on facilities in 2018.

Cash flow from investing activities changed by \$(2.7) million in 2017 compared to 2016. This decrease was primarily driven by increased spending on facilities.

Cash flow from investing activities increased by \$2.7 million in 2016 compared to 2015. This increase was driven by decreased spending on facilities in 2016.

Cash flow from investing activities in 2015 is \$(3.2) million. This was primarily driven by investments in facilities.

Cash Flow Provided by (Used in) Financing Activities

Cash flow from financing activities changed by \$(4.9) million for the nine month period ended September 30, 2018 compared to September 30, 2017. This decrease was due to an increase in distributions and was offset by members' contributions.

Cash flow from financing activities increased by \$1.1 million in 2017 compared to 2016. This increase was primarily driven by an increase in net borrowing.

Cash flow from financing activities changed by \$(2.5) million in 2016 compared to 2015. This decrease was primarily driven by a decrease in net borrowing

Cash flow from financing activities in 2015 is \$4.2 million. This was primarily driven by net borrowing.

As previously noted, Washoe's primary capital resource is cash flow generated from operations. Washoe does not have any other committed sources of financing or significant capital expenditure commitments.

Contractual Obligations

Washoe has contractual obligations to make future payments, including debt agreements and lease agreements with a related party. The following table summarizes these obligations as of September 30, 2018:

	Remaining Amount Due by Period				
	Total	2018	2019	2020-2021	After 2021
Debt	8,276,340	5,377	70,156	192,444	8,008,363
Operating Leases	852,423	59,061	243,336	508,790	41,236
Management Fees	1,280,000	120,000	480,000	680,000	–
Total Contractual Obligations	10,408,763	184,438	793,492	1,381,234	8,049,599

Transactions with Related Parties

The leasing arrangement with a related party is disclosed in Contractual Obligations section above.

Included in other income for the nine months ended September 30, 2018 are management fees of \$125,000 received from a related party.

During the period ended September 30, 2018, sales of \$1,413,286 made to a related party is included in revenue and purchase of \$627,618 from a related corporation is included in cost of goods sold.

No advance from a related party was outstanding at September 30, 2018, but \$150,190 was outstanding as of December 31, 2017. Such advance is unsecured, interest free and is repayable on demand.

During the nine months ended September 30, 2018 management fees of \$160,000 were paid to a related party under consulting agreements.

Key management that are related parties received compensation of \$87,215 during the nine months ended September 30, 2018.

Critical Accounting Estimates

Critical Accounting Judgments and Estimates

The application of Washoe's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made and are based on a variety of factors including historical experience, general economic conditions and assumptions regarding probable future outcomes. These estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from these estimates.

The following areas require management's critical estimates and judgments:

Biological Assets and Inventory

In calculating the value of the inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Valuation, Estimated Life and Impairment of Intangible Assets

Management used significant judgment in valuing the fair value of intangible assets, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Changes in Accounting Policies Including Adoption

Changes in Accounting Policies

There were no significant changes in accounting policies the nine months ended September 30, 2018. Washoe's significant accounting policies are described in notes entitled "Summary of Significant Accounting Policies" to Washoe's audited and unaudited consolidated financial statements.

Accounting Standards Issued but not yet Effective

The following new standards and interpretations have been adopted by Washoe and are described in the notes entitled "Changes in Accounting Standards" to Washoe's audited and unaudited consolidated financial statements:

- IFRS 9 - Financial Instruments adopted effective from January 1, 2018; the adoption did not result in any material change.
- IFRS 15 - Revenue from Contracts with Customers adopted effective from January 1, 2018; the adoption did not result in any material change.
- Amendments to IAS 16 and IAS 41, Bearer Plants implemented on January 1, 2016; the amendments are consistent with Washoe's accounting practices.

The following new standards and interpretations are not yet effective and are described in the notes entitled "Changes in Accounting Standards" to Washoe's audited and unaudited consolidated financial statements:

- IFRS 16 - Leases effective for annual periods beginning on or after January 1, 2019; Washoe plans to adopt the requirements in 2019 and is currently evaluating the impact adopting the standard will have on its consolidated financial statements.

Financial Instruments and Other Instruments

Fair Value of Financial Instruments

Washoe's financial instruments consist of cash and cash equivalents, accounts receivable, advance(s) to a related party, trade payables, accrued liabilities, advance(s) from a related party, and debts payable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

As of September 30, 2018 cash and cash equivalents were classified as Level 1. For other financial assets and financial liabilities, the carrying amount is considered a reasonable approximation of fair value.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject Washoe to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The cash and cash equivalents consist mainly of short-term money market deposits. Washoe has deposited the cash equivalents with a major highly reputable U.S. bank. For its accounts receivable, Washoe ensures to deal with creditworthy customers. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$622,760 and \$1,566,235, respectively.

Liquidity Risk

Liquidity risk is the risk that Washoe is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. Washoe's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Washoe manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

APPENDIX J – CANOPY AUDITED FINANCIAL STATEMENTS

THE CANOPY NV LLC

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017 AND
AS OF AND FOR THE PERIOD FROM
APRIL 1, 2016 (INCEPTION DATE) TO
DECEMBER 31, 2016**

(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

THE CANOPY NV LLC
Consolidated Financial Statements
December 31, 2017 and 2016

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Members of The Canopy NV LLC:

The accompanying consolidated financial statements and other financial information in this report were prepared by management of The Canopy NV LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's consolidated financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditors, Macias Gini & O'Connell LLP, and their report is presented herein.

December 3, 2018

"Mark Pitchford" (signed)
Chief Executive Officer

"Lilian Yohn" (signed)
Chief Financial Officer



Independent Auditor's Report

To the Members of The Canopy NV LLC

We have audited the accompanying consolidated financial statements of The Canopy NV LLC (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations, changes in members' equity and cash flows for the year ended December 31, 2017 and for the period from April 1, 2016 (Inception) to December 31, 2016 and, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

(continues)

Independent Auditor's Report to the Members of The Canopy NV LLC *(continued)*

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of The Canopy NV LLC as at December 31, 2017 and 2016 and its financial performance and its cash flows for the year ended December 31, 2017 and for the period from April 1, 2016 (Inception) to December 31, 2016, in accordance with International Financial Reporting Standards.

Macias Gini & O'Connell LLP

San Diego, California
December 3, 2018

THE CANOPY NV LLC
Consolidated Statements of Financial Position
At December 31, 2017 and 2016

	2017	2016
	\$	\$
ASSETS		
Current		
Cash	821,928	-
Inventory [Note 5]	466,648	5,745
Advance to a related corporation [Note 9]	150,190	-
Prepaid expenses and other assets	328,703	8,353
	1,767,469	14,098
Intangible assets [Note 6]	1,623,114	1,623,114
Property, plant and equipment [Note 7]	253,097	109,449
Total assets	3,643,680	1,746,661
LIABILITIES		
Current		
Trade payables	130,127	-
Accrued liabilities	233,426	-
Total liabilities	363,553	-
MEMBERS' EQUITY	3,280,127	1,746,661
Total liabilities and members' equity	3,643,680	1,746,661

Nature of operations [Note 1]

Commitments and contingencies [Note 12]

Subsequent events [Note 15]

Approved and authorized by the Board of Directors on December 3, 2018

“Mark Pitchford” (signed)
Chief Executive Officer

“Lilian Yohn” (signed)
Chief Financial Officer

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

THE CANOPY NV LLC
Consolidated Statements of Operations
For the year ended December 31, 2017 and
For the Period from April 1, 2016 to December 31, 2016

	2017	2016
	\$	\$
Revenues, net of discounts	7,135,024	-
Cost of goods sold	3,496,736	-
Gross profit	3,638,288	-
Expenses		
General and administrative [Note 11]	1,455,043	160,892
Sales and marketing	190,850	9,998
Depreciation [Note 7]	16,483	-
Management fee [Note 9]	201,000	-
Total expenses	1,863,376	170,890
Income (loss) from operations	1,774,912	(170,890)
Other expense	-	24,100
Net income (loss)	1,774,912	(194,990)

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

THE CANOPY NV LLC
Consolidated Statements of Changes in Members' Equity
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

	Members' Equity \$
Contribution - cash [Note 8]	441,651
Contribution - dispensary licenses [Notes 6 & 8]	1,500,000
Net loss for the period	(194,990)
Balance as at December 31, 2016	1,746,661
Contribution - cash [Note 8]	60,554
Distributions	(302,000)
Net income for the year	1,774,912
Balance as at December 31, 2017	3,280,127

The accompanying notes are in integral part of these consolidated financial statements.

THE CANOPY NV LLC
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

	2017	2016
	\$	\$
Operating activities		
Net income (loss)	1,774,912	(194,990)
<i>Adjustments for items not affecting cash:</i>		
Depreciation	16,483	-
<i>Changes in working capital items:</i>		
Inventory	(460,903)	(5,745)
Prepaid expenses and other assets	(320,350)	(8,353)
Trade payables	130,127	-
Accrued liabilities	233,426	-
Advance to a related corporation	(150,190)	-
Cash provided by (used in) operating activities	1,223,505	(209,088)
Investing activities		
Intangible assets	-	(123,114)
Purchase of property, plant and equipment	(160,131)	(109,449)
Cash used in investing activities	(160,131)	(232,563)
Financing activities		
Contribution	60,554	441,651
Distributions	(302,000)	-
Cash (used in) provided by financing activities	(241,446)	441,651
Net increase in cash	821,928	-
Cash, beginning of year/period	-	-
Cash, end of year/period	821,928	-
Non-Cash Supplementary Information		
Licence contributions from members	-	1,500,000

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

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

1. NATURE OF OPERATIONS

The Canopy NV LLC (“Canopy” or the “Company”) was incorporated as Domestic Limited Liability Company on April 1, 2016 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 1645 Crane Way, Sparks, Nevada 89431.

The Company’s management, operations, structure and other matters are governed through an Operating Agreement entered between the members and Managers of the Company on April 20, 2016. The Company’s principal activities, through its subsidiaries, are the distribution and sale of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The Company adopted IFRS effective January 1, 2017. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements of the Company as at and for the year/period ended December 31, 2017 and 2016 comprise of the Company, its wholly owned subsidiaries (together referred to as the "Group" and individually as "Group entities").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on December 3, 2018.

2.2 Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The consolidated financial statements are presented in US dollars which is the presentation and functional currency of the Company and its subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries – Kynd Strainz LLC ("Kynd") and Lemon Aide LLC ("Lemon"), Limited Liabilities Companies, incorporated in the state of Nevada. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation. Lemon started operations in 2018.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

3.2 Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Leasehold improvements – the shorter of the useful life or life of the lease
- Furniture and fixtures – 5 to 7 years
- Office equipment – 5 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income (loss).

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.3 Taxation

The Company and its subsidiaries are considered Limited Liability Companies for income tax purposes, for the year/period ended December 31, 2017 and 2016. Therefore, the Company’s taxable income is allocated to the members for inclusion on their respective income tax returns.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.5 Intangible assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include medical cannabis licenses, have indefinite useful lives and are not subject to amortization. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. For the year/period ended December 31, 2017 and 2016, the Company did not recognize any impairment losses.

3.6 Financial instruments

All financial instruments are recognized when the Company becomes party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables (“L&R”)
- financial instruments at fair value through profit or loss (“FVTPL”)
- held-to-maturity investments
- available-for-sale assets (“AFS”)
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, described below.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive loss until the asset is removed from the consolidated statements of financial position.

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance.

See Note 13 - Financial Risk factors for the details of their classification.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.8 Inventory

Inventories of purchased finished goods are initially at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the specific identification basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value. The company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to the net realizable value. At December 31, 2017 and 2016, there were no reserves for inventories required.

3.9 Cash

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.11 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, income or loss, assets and liabilities recognized and disclosures made in the consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates and judgments:

(a) Estimated useful lives and depreciation of property, plant and equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(b) Valuation, estimated life and impairment of intangible assets

Management used significant judgment in valuing the fair value of dispensary licenses and other intangible assets, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new accounting pronouncement

IAS 1 - Presentation of Financial Statements

The Company has reviewed and considered the amendments made to IAS 1 effective on January 1, 2016. The Company has concluded that the adoption of such standard has resulted in no impact on the Company's consolidated financial statements. The Company will re-evaluate IAS 1 should a transaction occur.

Changes in accounting standards not yet effective

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018. The Company is assessing the potential financial and disclosure impact of this standard on its consolidated financial statements but does not expect the impact to be material.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective (continued)

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 adoption is expected to have on its financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

5. INVENTORY

Inventory comprised of finished goods.

Inventories expensed as cost of goods sold during the year ended December 31, 2017 is \$3,492,227 (Period ended December 31, 2016: \$nil)

6. INTANGIBLE ASSETS

Intangible assets represent dispensary licenses obtained by the two subsidiaries. Intangible assets of \$1,623,114 include \$1,500,000 contribution from a member as explained in Note 8 to the consolidated financial statements.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture & Fixtures	Office Equipment	Assets in process	Total
	\$	\$	\$	\$	\$
Cost					
As at April 1, 2016	-	-	-	-	-
Additions	-	-	-	109,449	109,449
As at December 31, 2016	-	-	-	109,449	109,449
Additions	32,184	76,059	17,904	33,984	160,131
Transfers	68,008	41,441	-	(109,449)	-
As at December 31, 2017	100,192	117,500	17,904	33,984	269,580
Depreciation					
As at April 1, 2016	-	-	-	-	-
Depreciation	-	-	-	-	-
As at December 31, 2016	-	-	-	-	-
Depreciation	2,117	11,915	2,451	-	16,483
As at December 31, 2017	2,117	11,915	2,451	-	16,483
Net book value					
As at December 31, 2016	-	-	-	109,449	109,449
As at December 31, 2017	98,075	105,585	15,453	33,984	253,097

8. MEMBERS' EQUITY

Pursuant to the Operating Agreement entered between the members and Managers of the Company on April 20, 2016, the members made a cash contribution of \$441,651 and contributed \$1,500,000 representing the fair value of the two Nevada Marijuana Establishment licenses during the period ended December 31, 2016.

During the year ended December 31, 2017, a member made a cash contribution of \$60,554.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the consolidated financial statements, related party transactions and balances are as follows:

The Company purchases a substantial portion of its inventory from a related corporation. These purchases are made at arms-length rates, in line with rates charged to third party customers of the related corporation.

Included in expenses for the year ended December 31, 2017 is management fee of \$201,000, charged by a related corporation (Period ended December 31, 2016: \$nil). The management fee started on January 1, 2017 and was paid monthly. The monthly fee varied based on an allocation of the related corporation's expenses and was a month-to-month arrangement.

Advance to a related corporation of \$150,190, outstanding as at December 31, 2017 is unsecured, interest free and is repayable on demand (December 31, 2016: \$nil).

No compensation was paid to key management for the year ended December 31, 2017 or for the period ended December 31, 2016.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements. As at December 31, 2017 and 2016, the capital of the Company was \$3,280,127 (2016: \$1,746,661).

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

11. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2017	2016
	\$	\$
Salaries and benefits	916,098	-
Rent [Note 12]	184,068	-
Taxes and licenses	123,386	35,954
Professional and consulting fees	52,552	121,250
Insurance	46,275	1,279
Office expenses	41,097	463
Computer expenses	21,223	757
Repair and maintenance	14,832	608
Utilities	10,860	42
Others	44,652	539
	1,455,043	160,892

12. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company conducts operations in facilities leased from a related party. The leases expire through 2022 and contain certain renewal provisions. Rent expense under these leases totaled \$184,068 for the year ended December 31, 2017 (Period ended December 31, 2016: \$nil). Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
2018	287,604
2019	370,296
2020	381,398
2021	392,844
2022	179,968
	1,612,110

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

12. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at December 31, 2017, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

13. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, advance to a related corporation, trade payables and accrued liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

13. FINANCIAL RISK FACTORS (continued)

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	AFS	L&R	Total	Total
December 31, 2017	\$	\$	\$	\$	\$
Cash	821,928	-	-	821,928	821,928
Advance to a related corporation	-	-	150,190	150,190	150,190
	821,928	-	150,190	972,118	972,118

December 31, 2016

Cash	-	-	-	-	-
Advance to a related corporation	-	-	-	-	-
	-	-	-	-	-

Financial liabilities	Carrying values		Fair values	
	FVTPL	Other liabilities	Total	Total
December 31, 2017	\$	\$	\$	\$
Trade payables	-	130,127	130,127	130,127
Accrued liabilities	-	233,426	233,426	233,426
	-	363,553	363,553	363,553

December 31, 2016

Trade payables	-	-	-	-
Accrued liabilities	-	-	-	-
	-	-	-	-

The Company's financial instruments as at December 31, 2017 and 2016 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

13. FINANCIAL RISK FACTORS (continued)

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and advance to a related corporation. As at December 31, 2017, the maximum amount exposed to credit risks was \$821,928 (2016: \$nil).

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members. As at December 31, 2017, all trade payables and accrued liabilities are due within a year.

14. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2017 and 2016, the Company's operations comprise a single reporting operating and geographical segment engaged in the distribution and sale of cannabis.

THE CANOPY NV LLC
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017 and For the Period
From April 1, 2016 to December 31, 2016

15. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December 3, 2018, the date the consolidated financial statements were issued, and determined the following event:

On June 1, 2018 the Company entered into consulting agreements with a related party. Under these agreements Kynd and Lemon each pay \$30,000 per month (\$60,000 per month in total) for administrative, support, and management services. These agreements have a three-year term and automatically renew every three years unless any party gives notice of their intent to terminate the agreement. Any party may also terminate the agreement at any time with 120 days' notice. In connection entering into the consulting agreement, the Company terminated its existing management agreement with a related party on May 31, 2018.

On October 1, 2018, the Company secured a \$421,128 promissory note from its construction vendor formalizing terms of payment for outstanding balances on tenant improvements for a dispensary. The note bears interest of 7% and has a maturity date of October 1, 2023. The note is secured by a personal guarantee from certain equity owners of the Company.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX K – CANOPY UNAUDITED INTERIM FINANCIAL STATEMENTS

THE CANOPY NV LLC

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**

(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

THE CANOPY NV LLC
Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2018 and 2017

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MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Members of The Canopy NV LLC:

The accompanying unaudited condensed interim consolidated financial statements and other financial information in this report were prepared by management of The Canopy NV LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the unaudited condensed interim consolidated financial statements and believes that they fairly present the Company's unaudited condensed interim consolidated financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's unaudited condensed interim consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

December 3, 2018

"Mark Pitchford" (signed)
Chief Executive Officer

"Lilian Yohn" (signed)
Chief Financial Officer

THE CANOPY NV LLC
Unaudited Condensed Interim Consolidated Statements of Financial Position
At September 30, 2018 and December 31, 2017

	September 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current		
Cash	168,370	821,928
Inventory [Note 5]	1,721,467	466,648
Advance to a related corporation [Note 8]	-	150,190
Prepaid expenses and other assets	125,012	328,703
	2,014,849	1,767,469
Intangible assets	1,623,114	1,623,114
Property, plant and equipment [Note 6]	1,178,712	253,097
Total assets	4,816,675	3,643,680
LIABILITIES		
Current		
Trade payables	356,095	130,127
Due to a related corporation	57,974	-
Accrued liabilities	252,795	233,426
Total liabilities	666,864	363,553
MEMBERS' EQUITY	4,149,811	3,280,127
Total liabilities and members' equity	4,816,675	3,643,680

Nature of operations [Note 1]

Commitments and contingencies [Note 11]

Subsequent events [Note 14]

Approved and authorized on behalf of the Board of Directors on December 3, 2018

“Mark Pitchford” (signed)
Chief Executive Officer

“Lilian Yohn” (signed)
Chief Financial Officer

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

THE CANOPY NV LLC
Unaudited Condensed Interim Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2018 and 2017

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Revenues, net of discounts	3,046,672	3,588,745	8,239,926	4,094,054
Cost of goods sold	1,438,137	1,648,898	3,908,181	2,018,954
Gross profit	1,608,535	1,939,847	4,331,745	2,075,100
Expenses				
General and administrative [Note 10]	450,593	559,052	1,287,613	1,032,058
Sales and marketing	82,734	55,278	217,284	115,717
Depreciation [Note 6]	13,064	5,174	27,548	11,262
Management fee [Note 8]	181,848	53,500	366,848	141,000
Total expenses	728,239	673,004	1,899,293	1,300,037
Net income	880,296	1,266,843	2,432,452	775,063

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

THE CANOPY NV LLC
Unaudited Condensed Interim Consolidated Statements of Changes in Members' Equity
For the Three and Nine Months Ended September 30, 2018 and 2017

	Members' Equity \$
Balance as at January 1, 2018	3,280,127
Distributions	(1,562,768)
Net income for the period	2,432,452
Balance as at September 30, 2018	4,149,811
Balance as at January 1, 2017	1,746,661
Contribution - cash [Note 7]	60,554
Net income for the period	775,063
Balance as at September 30, 2017	2,582,278

The accompanying notes are in integral part of these unaudited condensed interim consolidated financial statements.

THE CANOPY NV LLC
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017

	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Operating activities		
Net income	2,432,452	775,063
<i>Adjustments for items not affecting cash:</i>		
Depreciation	27,548	11,262
<i>Changes in working capital items:</i>		
Inventory	(1,254,819)	(445,596)
Advance to a related corporation	150,190	-
Prepaid expenses and other assets	203,691	(5,230)
Trade payables	225,968	97,765
Due to a related corporation	57,974	1,650
Accrued liabilities	19,369	297,382
Cash provided by operating activities	1,862,373	732,296
Investing activities		
Purchase of property, plant and equipment	(953,163)	(99,307)
Cash used in investing activities	(953,163)	(99,307)
Financing activities		
Contribution	-	60,554
Distributions	(1,562,768)	-
Cash (used in) provided by financing activities	(1,562,768)	60,554
Net (decrease) increase in cash	(653,558)	693,543
Cash, beginning of period	821,928	-
Cash, end of period	168,370	693,543

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

THE CANOPY NV LLC
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

1. NATURE OF OPERATIONS

The Canopy NV LLC (“Canopy” or the “Company”) was incorporated as Domestic Limited Liability Company on April 1, 2016 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 1645 Crane Way, Sparks, Nevada 89431.

The Company’s management, operations, structure and other matters are governed through an Operating Agreement entered between the members and Managers of the Company on April 20, 2016. The Company’s principal activities, through its subsidiaries, are the distribution and sale of cannabis as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 (and comparative results for the three and nine months ended September 30, 2017) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 consolidated financial statements and notes and have been prepared using the same accounting policies described in Note 3 to the 2017 consolidated financial statements and notes.

These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on December 3, 2018.

2.2 Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The unaudited condensed interim consolidated financial statements are presented in US dollars which is the presentation and functional currency of the Company and its subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The unaudited condensed interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries – Kynd Strainz LLC (“Kynd”) and Lemon Aide LLC (“Lemon”), Limited Liabilities Companies, incorporated in the state of Nevada. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation. Lemon started operations in 2018.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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4. CHANGES IN ACCOUNTING STANDARDS

Changes in accounting standards adopted

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVTOCI”) and FVTPL. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. The Company adopted IFRS 15 effective from January 1, 2018. The adoption did not result in any material change.

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4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

5. INVENTORY

Inventory comprised of finished goods.

Inventories expensed as cost of goods sold during the nine months ended September 30, 2018 is \$3,794,685 (Nine months ended September 30, 2017: \$ 1,648,898)

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Assets in process	Automobiles	Total
	\$	\$	\$	\$		\$
Cost						
As at December 31, 2017	100,192	117,500	17,904	33,984	-	269,580
Additions	844,121	50,140	52,597	-	6,305	953,163
Transfers	33,984	-	-	(33,984)	-	-
As at September 30, 2018	978,297	167,640	70,501	-	6,305	1,222,743
Depreciation						
As at December 31, 2017	2,117	11,915	2,451	-	-	16,483
Depreciation	9,427	14,998	2,898	-	225	27,548
As at September 30, 2018	11,544	26,913	5,349	-	225	44,031
Net book value						
As at December 31, 2017	98,075	105,585	15,453	33,984	-	253,097
As at September 30, 2018	966,753	140,727	65,152	-	6,080	1,178,712

Depreciation expense for the nine months ended September 30, 2018 and 2017 of \$27,548 and \$11,262, respectively, is included within operating expenses.

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7. MEMBERS' CONTRIBUTION

During the nine months ended September 30, 2018 and the period ended December 31, 2017, the members of the Company contributed in cash amounting to \$nil and \$60,554, respectively.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Other than disclosed elsewhere in the consolidated financial statements, related party transactions and balances are as follows:

The Company purchases a substantial portion of its inventory from a related corporation. These purchases are made at arms-length rates, in line with rates charged to third party customers of the related corporation.

During the nine months ended September 30, 2018 and 2017, management fees of \$125,000 and \$141,000, respectively, were paid to a related corporation under a management agreement. The management fee started on January 1, 2017 and was paid monthly. The monthly fee varied based on an allocation of the related corporation's expenses and was a month-to-month arrangement. This agreement terminated on May 31, 2018.

During the nine months ended September 30, 2018 and 2017, management fees of \$241,848 and \$nil, respectively, were paid to a related party under consulting agreements. Kynd and Lemon each pay \$30,000 per month (\$60,000 per month in total) under these agreements, which were executed and were effective on June 1, 2018. These agreements have a three-year term and automatically renew every three years unless any party gives notice of their intent to terminate the agreement. Any party may also terminate the agreement at any time with 120 days notice.

Advance to a related corporation of \$nil, outstanding as at September 30, 2018 is unsecured, interest free and is repayable on demand (December 31, 2017: \$150,190).

No compensation was paid to key management for the nine months ended September 30, 2018 and 2017.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements. As at September 30, 2018 and December 31, 2017, the capital of the Company was \$4,149,811 and \$3,280,127, respectively.

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9. CAPITAL MANAGEMENT (continued)

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

10. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Salaries and benefits	276,429	332,308	804,665	637,452
Rent [Note 11]	57,143	55,280	170,266	128,668
Taxes and licenses	30,325	86,868	101,239	99,617
Professional and consulting fees	6,000	30,587	12,350	51,623
Insurance	18,854	8,256	52,687	19,468
Office expenses	13,413	9,363	35,284	32,266
Computer expenses	15,566	6,766	29,709	16,024
Repair and maintenance	6,302	7,853	16,629	11,407
Utilities	5,269	3,301	12,142	8,272
Others	21,292	18,470	52,642	27,261
	450,593	559,052	1,287,613	1,032,058

11. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company conducts operations in facilities leased from a related party. The leases expire through 2022 and contain certain renewal provisions. Rent expense under these leases totaled \$170,266 and \$128,668 for the nine months ended September 30, 2018 and 2017, respectively. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

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11. COMMITMENTS AND CONTINGENCIES (continued)

Year ending December 31	\$
3 Months 2018	89,877
2019	370,296
2020	381,398
2021	392,844
2022	41,236
	1,275,651

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

Management fees

On June 1, 2018 the Company entered into consulting agreements with a related party. Under these agreements TRE and TRB each pay \$20,000 per month (\$40,000 per month in total) for administrative, support, and management services. These agreements have a three-year term and automatically renew every three years unless any party gives notice of their intent to terminate the agreement. Any party may also terminate the agreement at any time with 120 days notice. Future minimum payments under this agreement, assuming no party terminates the agreements prior to the three-year initial term, are as follows:

Year ending December 31	\$
3 Months 2018	180,000
2019	720,000
2020	720,000
2021	300,000
	1,920,000

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12. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, advance to a related corporation, trade payables, due to a related corporation and accrued liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	FVTOCI	AC	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Cash	168,370	-	-	168,370	168,370
Advance to a related corporation	-	-	-	-	-
	168,370	-	-	168,370	168,370
December 31, 2017					
Cash	821,928	-	-	821,928	821,928
Advance to a related corporation	-	-	150,190	150,190	150,190
	821,928	-	150,190	972,118	972,118

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12. FINANCIAL RISK FACTORS (continued)

Financial liabilities	Carrying values			Fair values
	FVTPL	AC	Total	Total
September 30, 2018	\$	\$	\$	\$
Trade payables	-	356,095	356,095	356,095
Due to a related corporation	-	57,974	57,974	57,974
Accrued liabilities	-	252,795	252,795	252,795
	-	666,864	666,864	666,864
December 31, 2017				
Trade payables	-	130,127	130,127	130,127
Due to a related corporation	-	-	-	-
Accrued liabilities	-	233,426	233,426	233,426
	-	363,553	363,553	363,553

The Company's financial instruments as at September 30, 2018 and December 31, 2017 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and advance to a related corporation. As at September 30, 2018, the maximum amount exposed to credit risks was \$168,370 (Year ended December 31, 2017: \$821,928).

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members. As at September 30, 2018, all trade payables, due to a related corporation and accrued liabilities are due within a year.

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13. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

At September 30, 2018 and December 31, 2017, the Company's operations comprise a single reporting operating and geographical segment engaged in the distribution and sale of cannabis.

14. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December 3, 2018, the date the consolidated financial statements were issued, and determined the following event:

On October 1, 2018, the Company secured a \$421,128 promissory note from its construction vendor formalizing terms of payment for outstanding balances on tenant improvements for a dispensary. The note bears interest of 7% and has a maturity date of October 1, 2023. The note is secured by a personal guarantee from certain equity owners of the Company.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX L – MANAGEMENT’S DISCUSSION & ANALYSIS OF CANOPY

Management's Discussion and Analysis – The Canopy NV, LLC

Overview

The Canopy NV, LLC (“**Canopy**”) is a leading owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, NV. Canopy operates in both the medical and adult-use segments of the Nevada cannabis market.

Major Business Lines and Geographies

Canopy views its financial results under the retail dispensary operations business line. Canopy generates all of its revenue in the State of Nevada.

Retail Dispensary Operations

Canopy is a licensed dispensary operator with two retail locations in Reno, NV.

Canopy generates revenue by purchasing wholesale cannabis and cannabis products and selling those products at its two retail locations.

Geographic Areas

All of Canopy’s revenue is derived from the Nevada cannabis market.

Market Update and Canopy’s Objectives

Canopy currently operates two premiere dispensaries in Reno, NV, which were named Best Dispensary in Reno in 2017 and 2018 by the Reno News and Review and the Reno Gazette Journal. Canopy has focused on offering highly exclusive quality products at competitive prices coupled with excellent customer service from a staff known for being especially knowledgeable. Canopy’s objectives have been to grow its business through better service and product selection and expanding to additional locations. Given the strong growth in the Nevada cannabis market, management believes that expanding to new locations is particularly attractive.

Annual Results of Operations

(\$ in millions)

	<u>12 months ended</u> <u>December 31, 2017</u>	<u>The period ended</u> <u>December 31, 2016</u>
Revenue	7.1	--
Cost of Goods Sold	3.5	--
Gross Profits	3.6	--
General and Administrative Expenses	1.5	0.2
Sales and Marketing Expense	0.2	0.0
(Loss) income from operations	1.8	(0.2)
Net (loss) income	1.8	(0.2)
Total Assets	3.6	1.7
Current Liabilities	0.4	--
Total Liabilities	3.6	1.7
Total Net Assets	3.5	--

Revenue

2017

For the year ended December 31, 2017, revenue was \$7.1 million, which represents an increase of \$7.1 million from the prior year amount of \$0.0 million. The increase was driven by the opening of Canopy's dispensaries during 2017.

2016

For the period ended December 31, 2016, revenue was \$0.0 million.

Cost of Goods Sold

2017

For the year ended December 31, 2017, cost of goods sold was \$3.5 million, which represents an increase of \$3.5 million from the prior year amount of \$0.0 million. The increase was driven by the opening of Canopy's dispensaries during 2017.

2016

For the period ended December 31, 2016, cost of goods sold was \$0.0 million.

General and Administrative Expenses

2017

For the year ended December 31, 2017, general and administrative expenses were \$1.5 million, which represents an increase of \$1.3 million or 650.0% from the prior year amount of \$0.2 million. The increase was driven by the opening of Canopy's dispensaries during 2017.

2016

For the period ended December 31, 2016, general and administrative expenses were \$0.2 million.

Sales and Marketing Expenses

2017

For the year ended December 31, 2017, sales and marketing expenses were \$0.2 million, which represents an increase of \$0.2 million from the prior year amount of \$0.0 million. The increase was driven by activity supporting Canopy's retail operations.

2016

For the period ended December 31, 2016, sales and marketing expenses were \$0.0 million.

Quarterly Results of Operations

(\$ in millions)

	3 months ended September 30,		9 months ended September 30,	
	2018	2017	2018	2017
Revenue	3.0	3.6	8.2	4.1
Cost of Goods Sold	1.4	1.6	3.9	2.0
Gross Profits	1.6	2.0	4.3	2.1
General and Administrative Expenses	0.5	0.6	1.3	1.0
Sales and Marketing Expense	0.1	0.1	0.2	0.1
Income (loss) from operations	0.9	1.3	2.4	0.8
Net income (loss)	0.9	1.3	2.4	0.8

Revenue

For the three months ended September 30, 2018, revenue was \$3.0 million, which represents a change of \$(0.6) million or (16.7%) from the prior year amount of \$3.6 million. This decrease is primarily due to a partial reversal of a large spike in demand the prior year from the launch of Nevada's legal adult-use program in July 2017 and is partially offset by the opening of Canopy's second adult-use dispensary in August 2018.

For the nine months ended September 30, 2018, revenue was \$8.2 million, which represents an increase of \$4.1 million or 100.0% from the prior year amount of \$4.1 million. The increase was driven by the opening of Canopy's dispensaries during 2017 and 2018 and the launch of Nevada's legal adult-use regime in July 2017.

Cost of Goods Sold

For the three months ended September 30, 2018, cost of goods sold was \$1.4 million, which represents a change of \$(0.2) million or (12.5%) from the prior year amount of \$1.6 million. This decrease is primarily due to the reversal of a buildup that occurred the prior year in anticipation of the launch of Nevada's legal adult-use regime in July 2017 and is partially offset by the opening of Canopy's second dispensary in August 2018.

For the nine months ended September 30, 2018, cost of goods sold was \$3.9 million, which represents an increase of \$1.9 million or 95.0% from the prior year amount of \$2.0 million. The increase was driven by the opening of Canopy's dispensaries during 2017 and 2018 and the launch of Nevada's legal adult-use regime in July 2017.

General and Administrative Expenses

For the three months ended September 30, 2018, general and administrative expenses were \$0.5 million, which represents a change of \$(0.1) million or (16.7%) from the prior year amount of \$0.6 million. This decrease was due to the reversal of increased spending to support Canopy's dispensaries beginning legal adult-use sales in July 2017 and is partially offset by the opening of Canopy's second adult-use dispensary in August 2018.

For the nine months ended September 30, 2018, general and administrative expenses were \$1.3 million, which represents an increase of \$0.3 million or 30.0% from the prior year amount of \$1.0 million. The increase was driven by the opening of Canopy's dispensaries during 2017 and 2018 and the launch of Nevada's legal adult-use regime in July 2017.

Sales and Marketing Expenses

For the three months ended September 30, 2018, sales and marketing expenses were \$0.1 million, which represents an increase of \$0.0 million from the prior year amount of \$0.1 million.

For the nine months ended September 30, 2018, sales and marketing expenses were \$0.2 million, which represents an increase of \$0.1 million or 100.0% from the prior year amount of \$0.1 million. The increase was driven by activity supporting Canopy's retail operations.

Liquidity and Capital Resources

Overview

Historically, Canopy's primary source of liquidity has been capital contributions from its owners. Today, Canopy generates positive cash flow from its operations, and expects to continue to do so, and this cash flow is its principal source of liquidity.

Financial Condition

Cash Flows

The following table summarizes Canopy's consolidated statement of cash flows from continuing operations:

(\$ in millions)	9 months ended September 30,		12 months ended	The period ended
	2018	2017	December 31, 2017	December 31, 2016
Cash provided by (used in)				
Operating activities	1.9	0.7	1.2	(0.2)
Investing activities	(1.0)	(0.1)	(0.2)	(0.2)
Financing activities	(1.6)	0.1	(0.2)	0.4
Net Change in Cash	(0.7)	0.7	0.8	--
Cash Balance, Beginning	0.8	--	--	--
Cash Balance, Ending	0.2	0.7	0.8	--

Cash Flow Provided by Operating Activities

Cash flow from operating activities increased by \$1.2 million for the nine-month period ended September 30, 2018 compared to September 30, 2017. This increase was primarily driven by the increase in sales and was partially offset by higher working capital needs consistent with the increase in demand.

Cash flow from operating activities increased by \$1.4 million in 2017 compared to 2016. This increase was primarily driven by the increase in sales and was partially offset by higher working capital needs consistent with the increase in demand.

Cash flow from operating activities in 2016 is \$(0.2) million.

Cash Flow Provided by (Used in) Investing Activities

Cash flow from investing activities changed by \$(0.9) million for the nine month period ended September 30, 2018 compared to September 30, 2017. This decrease primarily reflects spending to support the opening of an additional adult-use dispensary accounted for the majority of this increase.

Cash flow from investing activities increased by \$0.0 million in 2017 compared to 2016. This reflects continued spending to support the opening of an additional adult-use dispensary and advances to related companies were partially offset by reduced spending related to licenses.

Cash flow from investing activities in 2016 is \$(0.2) million.

Cash Flow Provided by (Used in) Financing Activities

Cash flow from financing activities changed by \$(1.7) million for the nine month period ended September 30, 2018 compared to September 30, 2017. Distributions of excess cash made up the entirety of cash used in financing activities for the period ended September 30, 2018.

Cash flow from financing activities changed by \$(0.6) million in 2017 compared to 2016. This change was driven by distributions of excess cash and reduction in capital contributions.

Cash flow from financing activities in 2016 is \$0.4 million.

As previously noted, Canopy's primary capital resource is cash flow generated from operations. Canopy does not have any other committed sources of financing or significant capital expenditure commitments.

Contractual Obligations

Canopy has contractual obligations to make future payments, including debt agreements and lease agreements with a related party. The following table summarizes these obligations as of September 30, 2018:

	Remaining Amount Due by Period				
	Total	2018	2019	2020-2021	After 2021
Operating Leases	1,275,651	89,877	370,296	774,242	41,236
Management Fees	1,920,000	180,000	720,000	1,020,000	–
Total Contractual Obligations	3,195,651	269,877	1,090,296	1,794,242	41,236

Transactions with Related Parties

The leasing arrangement with a related party is disclosed in the Contractual Obligations section above.

Canopy purchases a substantial portion of its inventory from a related party. These purchases are made at arms-length rates, in line with rates charged to third party customers of the related party.

During the nine months ended September 30, 2018 management fees of \$125,000 were paid to a related party under a management agreement.

During the nine months ended September 30, 2018 management fees of \$241,848 were paid to a related party under consulting agreements.

No advance from a related party was outstanding at September 30, 2018, but \$150,190 was outstanding as of December 31, 2017. Such advance is unsecured, interest free and is repayable on demand.

Critical Accounting Estimates

Critical Accounting Judgments and Estimates

The application of Canopy's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made and are based on a variety of factors including historical experience, general economic conditions and assumptions regarding probable future outcomes. These estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from these estimates.

The following areas require management's critical estimates and judgments:

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Valuation, Estimated Life and Impairment of Intangible Assets

Management used significant judgment in valuing the fair value of intangible assets, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Changes in Accounting Policies Including Adoption

Changes in Accounting Policies

There were no significant changes in accounting policies the nine months ended September 30, 2018. Canopy's significant accounting policies are described in notes entitled "Summary of Significant Accounting Policies" to Canopy's audited and unaudited consolidated financial statements.

Accounting Standards Issued but not yet Effective

The following new standards and interpretations have been adopted by Canopy and are described in the notes entitled “Changes in Accounting Standards” to Canopy’s audited and unaudited consolidated financial statements:

- IFRS 9 - Financial Instruments adopted effective from January 1, 2018; the adoption did not result in any material change.
- IFRS 15 - Revenue from Contracts with Customers adopted effective from January 1, 2018; the adoption did not result in any material change.

The following new standards and interpretations are not yet effective and are described in the notes entitled “Changes in Accounting Standards” to Canopy’s audited and unaudited consolidated financial statements:

- IFRS 16 - Leases effective for annual periods beginning on or after January 1, 2019; Canopy plans to adopt the requirements in 2019 and is currently evaluating the impact adopting the standard will have on its consolidated financial statements.

Financial Instruments and Other Instruments

Fair Value of Financial Instruments

Canopy’s financial instruments consist of cash, accounts receivable, advance(s) to a related party, trade payables, accrued liabilities, advance(s) from a related party, and debts payable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly
- Level 3 – inputs are unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions and are not based on observable market data

As of September 30, 2018 cash was classified as Level 1. For other financial assets and financial liabilities, the carrying amount is considered a reasonable approximation of fair value.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments, which potentially subject Canopy to concentrations of credit risk consist of cash and an advance to a related company. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$168,370 and \$821,928, respectively.

Liquidity Risk

Liquidity risk is the risk that Canopy is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. Canopy’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Canopy manages liquidity risk through obtaining financing from its members. As at September 30, 2018, all trade payables, due to a related corporation and accrued liabilities are due within a year.

APPENDIX M – SIRA AUDITED FINANCIAL STATEMENTS

SIRA NATURALS, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2017, 2016 AND 2015

(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

SIRA NATURALS, INC.
Financial Statements
December 31, 2017, 2016 and 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Members of Sira Naturals, Inc.

The accompanying financial statements and other financial information in this report were prepared by management of Sira Naturals, Inc. ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditor, Macias Gini & O'Connell, LLP, and their report is presented herein.

December 7, 2018

"Michael Dundas" (signed)
Chief Executive Officer

"Eric Wardrop" (signed)
Chief Financial Officer



Independent Auditor's Report

To the Members of Sira Naturals, Inc.

We have audited the accompanying financial statements of Sira Naturals, Inc. (the "Company"), which comprise of the statements of financial position as at December 31, 2017, 2016 and 2015, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2017, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

(continues)

Independent Auditor's Report to the Members of Sira Naturals, Inc. *(continued)*

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Sira Naturals, Inc. as at December 31, 2017, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2017, 2016 and 2015, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the financial statements have been prepared assuming that the Company will continue as a going concern.

Macias Gini & O'Connell LLP

San Diego, California
December 7, 2018

SIRA NATURALS, INC.
Statements of Financial Position
At December 31, 2017, 2016 and 2015

	2017	2016	2015
	\$	\$	\$
ASSETS			
Current			
Cash	201,697	27,376	547,352
Inventory [Note 5]	11,579,070	358,149	-
Biological assets [Note 6]	1,081,141	9,689,178	-
Prepaid expenses and other assets	41,808	8,920	27,296
	12,903,716	10,083,623	574,648
Property, plant and equipment [Note 7]	8,203,108	7,332,071	2,055,079
Deferred tax assets [Note 8]	420,205	577,807	-
Other long term assets	280,401	71,807	-
Total assets	21,807,430	18,065,308	2,629,727
LIABILITIES			
Current			
Trade payables	1,117,295	563,345	711,807
Accrued liabilities	811,300	412,985	243,937
Income tax payable	523,238	912	456
Debts payable - current portion [Note 9]	17,383	-	-
	2,469,216	977,242	956,200
Accrued interest payable	4,862,566	2,305,746	562,957
Debts payable - Non-current portion [Note 9]	15,363,015	12,097,624	3,910,000
Total liabilities	22,694,797	15,380,612	5,429,157
NET ASSETS			
Unrestricted funds (deficit)	(887,367)	2,684,696	(2,799,430)
Total net assets	(887,367)	2,684,696	(2,799,430)
Total liabilities and net assets	21,807,430	18,065,308	2,629,727

Nature of operations [Note 1]

Commitments and contingencies [Note 13]

Subsequent events [Note 16]

Approved and authorized on behalf of the Board of Directors on December 7, 2018

“Michael Dundas” (signed)
Chief Executive Officer

“Eric Wardrop” (signed)
Chief Financial Officer

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

SIRA NATURALS, INC.
Statements of Operations
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	\$	\$	\$
Revenues, net of discounts	6,293,763	-	-
Cost of goods sold before biological asset adjustment	4,906,883	-	-
Gross profit (loss) before biological asset adjustment	1,386,880	-	-
Fair value changes in biological assets included in cost of sales	(10,274,274)	(1,399,098)	-
Unrealized gain on biological asset transformation	12,015,641	10,047,327	-
Gross profit	3,128,247	8,648,229	-
Expenses			
General and administrative [Note 12]	3,134,182	2,414,823	1,915,679
Sales and marketing	303,852	-	-
Depreciation [Note 7]	58,404	-	-
Total expenses	3,496,438	2,414,823	1,915,679
(Loss) income from operations	(368,191)	6,233,406	(1,915,679)
Other expense (income)			
Interest expense	2,526,809	1,326,631	480,876
Rental income and others	(3,321)	-	-
Other expense (income)	2,523,488	1,326,631	480,876
(Loss) income before income tax	(2,891,679)	4,906,775	(2,396,555)
Income tax expense (recovery) [Note 8]	680,384	(577,351)	76,956
Net (loss) income	(3,572,063)	5,484,126	(2,473,511)

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

SIRA NATURALS, INC.
Statements of Changes in Net Assets
For the Years Ended December 31, 2017, 2016 and 2015

	Net assets
	\$
Balance as at January 1, 2015	(325,919)
Net loss	(2,473,511)
Balance as at December 31, 2015	(2,799,430)
Net income	5,484,126
Balance as at December 31, 2016	2,684,696
Net loss	(3,572,063)
Balance as at December 31, 2017	(887,367)

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

SIRA NATURALS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	\$	\$	\$
Operating activities			
Net (loss) income	(3,572,063)	5,484,126	(2,473,511)
<i>Adjustments for items not affecting cash:</i>			
Depreciation	843,159	255,176	-
Fair value changes in biological assets included in cost of sales	(10,274,274)	(1,399,098)	-
Unrealized gain on biological asset transformation	12,015,641	10,047,327	-
<i>Changes in working capital items:</i>			
Inventory	(11,220,921)	(358,149)	-
Biological assets	6,866,670	(18,337,407)	-
Prepaid expenses and other assets	(241,482)	(53,431)	(27,296)
Deferred tax assets	157,602	(577,807)	76,500
Trade payables	553,950	(148,462)	711,807
Accrued liabilities	2,955,135	1,911,837	404,475
Income tax payable	522,326	456	456
Cash used in operating activities	(1,394,257)	(3,175,432)	(1,307,569)
Investing activities			
Purchase of property, plant and equipment	(1,714,196)	(5,532,168)	(2,055,079)
Cash used in investing activities	(1,714,196)	(5,532,168)	(2,055,079)
Financing activities			
Proceeds from issuance of debt	3,282,774	8,187,624	3,910,000
Cash provided by financing activities	3,282,774	8,187,624	3,910,000
Net (decrease) increase in cash	174,321	(519,976)	547,352
Cash, beginning of year	27,376	547,352	-
Cash, end of year	201,697	27,376	547,352
<i>Supplemental cash flow information</i>			
Interest paid	1,414	-	36,000

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

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

1. NATURE OF OPERATIONS

Sira Naturals, Inc. (“Sira” or the “Company”) was incorporated as a not-for-profit Corporation on June 18, 2013 in the Commonwealth of Massachusetts, United States of America (“USA”). The Company changed its name from time to time and its latest name change was from Sage Naturals, Inc. to Sira Naturals, Inc., effective November 27, 2017. The Company’s registered address is 300 Trade Center, Suite 7700, Woburn, MA 01801. As disclosed in Note 16 to the financial statements, on January 23, 2018, the Company converted its status from a not-for-profit Corporation into a for-profit Corporation.

The Company’s principal activities are the growing, processing and distribution of cannabis as regulated under the laws applicable in the USA.

Going concern

These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the year ended December 31, 2017 the Company incurred a net loss resulting in an unrestricted deficit and generated negative cash flow from operations. Moreover, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Historically, the Company has raised debt and equity financing to fund its operations and although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the statement of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The Company adopted IFRS effective January 1, 2016. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issue by the Board of Directors of the Company on December 7, 2018.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

2.2 Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The financial statements are presented in US dollars which is the presentation and functional currency of the Company.

Net assets

Retained funds are held for the benefit of the Company and activities are classified as net assets unrestricted funds and net assets restricted funds according to the terms of the various contributions. Net assets unrestricted funds are not subject to donor-imposed stipulations. Net assets restricted funds are subject to donor-imposed stipulations requiring that they be maintained by the Company. The Company did not have any net assets with donor restrictions as of December 31, 2015, 2016 and 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.2 Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Buildings and leasehold improvements - the shorter of the useful life or life of the lease
- Furniture and fixtures – 5 years
- Office equipment – 3 years
- Machinery and equipment – 5 to 15 years
- Auto and Trucks – 5 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of operations.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3.2 Property, plant and equipment (“PPE”) (continued)

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.3 Taxation

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in the statement of operations.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments

All financial instruments are recognized when the Company becomes party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables (“L&R”)
- financial instruments at fair value through profit or loss (“FVTPL”)
- held-to-maturity investments
- available-for-sale assets (“AFS”)
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, described below.

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in other income (loss).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance.

See Note 14 - Financial Risk factors for the details of their classification.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of non-financial assets

At each date of the statements of financial position, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.6 Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally produced work in process and finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

3.7 Inventory

Inventories of finished goods, work-in-process and raw materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at the point of harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs, including direct costs attributable to processing and related overheads, are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. At December 31, 2017, 2016 and 2015, there were no reserves for inventories required.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Cash

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.10 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, other income (loss), assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates and judgments:

(a) Biological assets and inventory

In calculating the value of the inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

(b) Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of three months to prepare for their intended use.

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new accounting pronouncement

IAS 1 - Presentation of Financial Statements

The Company has reviewed and considered the amendments made to IAS 1 effective on January 1, 2016. The Company has concluded that the adoption of such standard has resulted in no impact on the Company's financial statements. The Company will re-evaluate IAS 1 should a transaction occur.

Changes in accounting standards not yet effective

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective (continued)

IFRS 9 - Financial instruments (continued)

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018. The Company is assessing the potential financial and disclosure impact of this standard on its financial statements but does not expect the impact to be material.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 adoption is expected to have on its financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its financial statements and plans to adopt the requirements in 2019.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

IAS 16 and IAS 41, Bearer plants

The Company has implemented amendments to IAS 16 and IAS 41, which became effective for annual periods beginning on January 1, 2016. These amendments are summarized below.

- Bearer plants are accounted for as property, plant and equipment and measured at initial recognition at cost or revaluation basis.
- Bearer plants are defined as a living plant that are used in the production or supply of agricultural produce. Such plants are expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Bearer plants remain within the scope of IAS 41.

The amendments described above are consistent with the Company's accounting practices.

SIRA NATURALS, INC.
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5. INVENTORY

The Company's inventory includes the following:

	2017			2016			2015		
	Capitalized cost	Fair value adjustment	Carrying value	Capitalized cost	Fair value adjustment	Carrying value	Capitalized cost	Fair value adjustment	Carrying value
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Harvested cannabis</i>									
Work in process	2,914,481	3,386,673	6,301,154	39,183	318,966	358,149	-	-	-
Finished goods	14,590	16,954	31,544	-	-	-	-	-	-
	2,929,071	3,403,627	6,332,698	39,183	318,966	358,149	-	-	-
<i>Cannabis Oils</i>									
Work in process	2,274,051	2,642,482	4,916,533	-	-	-	-	-	-
Finished goods	152,561	177,278	329,839	-	-	-	-	-	-
	2,426,612	2,819,760	5,246,372	-	-	-	-	-	-
	5,355,683	6,223,387	11,579,070	39,183	318,966	358,149	-	-	-

Inventories expensed as cost of goods sold during the years ended December 31, 2017, 2016 and 2015 were \$156,708, \$nil and \$nil, respectively. These exclude the fair market value changes of biological assets.

Non-cash expenses relating to change in fair value of inventory sold recognized during the years ended December 31, 2017, 2016 and 2015 were \$10,274,274, \$1,399,098 and \$nil, respectively.

6. BIOLOGICAL ASSETS

The continuity of biological assets was as follows:

	2017	2016	2015
	\$	\$	\$
Balance, beginning of year	9,689,178	-	-
Changes in fair value less costs to sell due to biological transformation	12,015,641	10,047,327	-
Transferred to inventory upon harvest	(20,623,678)	(358,149)	-
Balance, at end	1,081,141	9,689,178	-

As of December 31, 2017, 2016 and 2015, the weighted average fair value less cost to complete and cost to sell were \$6.71, \$6.17 and \$nil per gram, respectively.

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

- | | |
|--|---------------|
| (a) Selling price per gram; | Level 3 input |
| (b) Attrition rate; | Level 3 input |
| (c) Average yield per plant; | Level 3 input |
| (d) Standard cost per gram to compete production | Level 3 input |
| (e) Cumulative stage of completion in production process | Level 3 input |

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

6. BIOLOGICAL ASSETS (continued)

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

Significant inputs or as Range of inputs			Sensitivity			Effect on fair value		
			2017	2016	2015			
			\$	\$	\$			
Selling price per gram*	\$6.61 to \$7.62	Increase or decrease of \$1 per gram	161,173	1,569,759	-			
Average yield per plant	150 to 162 grams	Increase or decrease by 5 grams per plant	41,032	320,343	-			

*Selling price per gram is based on average selling prices for the period.

These inputs are level 3 on the fair value hierarchy and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

As of December 31, 2017, 2016 and 2015, the biological assets were on average 109%, 49% and 0% complete, respectively. During the years ended December 31, 2017, 2016 and 2015, the Company's biological assets produced 161,173, 1,569,759 and nil grams of dried cannabis, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings & leasehold improvements	Furniture and fixtures	Office equipment	Machinery & equipment	Auto & trucks	Total
	\$	\$	\$	\$	\$	\$
Cost						
As at January 1, 2015	-	-	-	-	-	-
Additions	2,047,473	-	7,606	-	-	2,055,079
As at December 31, 2015	2,047,473	-	7,606	-	-	2,055,079
Additions	4,589,632	477,026	49,931	386,186	29,393	5,532,168
As at December 31, 2016	6,637,105	477,026	57,537	386,186	29,393	7,587,247
Additions	1,463,396	144,014	-	106,786	-	1,714,196
As at December 31, 2017	8,100,501	621,040	57,537	492,972	29,393	9,301,443
Depreciation						
As at April 1, 2015	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
As at December 31, 2015	-	-	-	-	-	-
Depreciation	249,792	-	233	5,151	-	255,176
As at December 31, 2016	249,792	-	233	5,151	-	255,176
Depreciation	793,729	19,511	700	23,830	5,389	843,159
As at December 31, 2017	1,043,521	19,511	933	28,981	5,389	1,098,335
Net book value						
As at December 31, 2015	2,047,473	-	7,606	-	-	2,055,079
As at December 31, 2016	6,387,313	477,026	57,304	381,035	29,393	7,332,071
As at December 31, 2017	7,056,980	601,529	56,604	463,991	24,004	8,203,108

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

7. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2017, buildings and leasehold improvements include borrowing costs of \$498,767, capitalized in connection with loan used for the construction of buildings (2016: \$464,212 and 2015: \$36,218).

Depreciation expense for the years ended December 31, 2017, 2016 and 2015, of \$784,755, \$nil and \$nil, respectively, is included in cost of goods sold.

8. INCOME TAXES

Income tax expense attributable to income from continuing operations consists of the following:

	2017	2016	2015
	\$	\$	\$
Current			
Federal	415,331	-	-
State	107,451	456	456
	522,782	456	456
Deferred			
Federal	170,506	(467,748)	76,500
State	(12,904)	(110,059)	-
	157,602	(577,807)	76,500
Income tax expense	680,384	(577,351)	76,956

The Company's effective tax rate differs from the US federal statutory rate as follows:

	2017	2016	2015
	\$	\$	\$
Tax at Federal statutory rate	(983,326)	1,668,303	(814,829)
State, net of Federal benefit	94,548	(109,603)	456
Change in biological value	(592,065)	(2,940,398)	-
Disallowed 280E expenses	1,977,220	804,347	814,829
True up for prior years	-	-	76,500
Impact of Federal rate change	184,007	-	-
Income tax expense	680,384	(577,351)	76,956

SIRA NATURALS, INC.
Notes to the Financial Statements
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8. INCOME TAXES (continued)

Net deferred tax assets are as follows:

	2017	2016	2015
	\$	\$	\$
Deferred tax asset - Non-current			
Fixed assets	29,230	-	-
Start up costs	390,975	603,124	-
	420,205	603,124	-
Deferred tax liabilities - Non-current			
Fixed assets	-	(25,317)	-
Net deferred tax assets	420,205	577,807	-

As at December 31, 2017, 2016 and 2015, the Company has approximately \$nil, \$nil and \$nil of federal and state net operating loss carry forwards. For tax reporting purposes, federal and state operating loss carry forwards are available to offset future taxable income. Such carry forwards expire beginning in 2027 for both federal and state tax purposes.

Based on available evidence during the year December 31, 2017, the Company determined it was more likely than not that the net deferred tax assets will be utilized.

The Company is subject to U.S. federal and Massachusetts income taxes. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company was incorporated in 2013 and is subject to U.S. federal, state and local tax examinations by tax authorities for all prior years. All of the Company's tax returns remain subject to examination, and accordingly, net operating loss carry forward attributes may still be adjusted upon examination by federal or state taxing authorities. The Company is not under examination in any jurisdiction.

As the Company operates in the cannabis industry, it is subject to the limits of the U.S. Internal Revenue Code Section 280E under which the Company is only allowed to deduct expenses related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under US IRC Section 280E.

On December 22, 2017, the Tax Cuts and Jobs Act (H.R. 1) (the "Tax Act") was signed into law. The Tax Act contains significant changes to corporate taxation, including: (i) the reduction of the corporate income tax rate from a maximum rate of 35% to 21%, (ii) the acceleration of expensing for certain business assets, (iii) the one-time transition tax related to the transition of U.S. international tax from a worldwide tax system to a territorial tax system, (iv) the repeal of the domestic production deduction, (v) additional limitations on the deductibility of interest expense, (vi) expanded limitations on executive compensation, (vii) acceleration of tax revenue recognition, (viii) capitalization of research and development expenditures and (ix) creation of new minimum taxes such as the base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI") tax.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

8. INCOME TAXES (continued)

The key impact of the Tax Act on the Company's financial statement was the re-measurement of the deferred tax balances to the new corporate tax rate. While the Company has not yet completed its assessment of the effects of the Tax Act, the Company is able to determine a reasonable estimate for this impact. In accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), the Company is providing additional disclosures related to this provisional amount.

In order to calculate the effects of the new corporate tax rate on the Company's deferred tax balances, ASC 740 "Income Taxes" ("ASC 740") required the re-measurement of its deferred tax balances as of the enactment date of the Tax Act, based on the rates at which the balances were expected to reverse in the future. The Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, the Company has recorded a decrease related to DTAs of \$180,000 with a corresponding adjustment to income tax expense of \$180,000 for the year ended December 31, 2017.

The Company has not yet made a policy election with respect to its treatment of potential base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI"). Companies can either account for taxes on BEAT and GILTI as incurred or recognize deferred taxes when basis differences exist that are expected to affect the amount of the BEAT and GILTI inclusion upon reversal. The Company is still in the process of analyzing the provisions of the Act associated with BEAT and GILTI and the expected impact of BEAT and GILTI on the Company in the future.

The provisional amount related to the deferred tax balances are based on information available at this time and may change due to a variety of factors, including, among others, (i) anticipated guidance from the U.S. Department of Treasury about implementing the Tax Act, (ii) potential additional guidance from the Securities and Exchange Commission or the Financial Accounting Standards Board related to the Tax Act, (iii) any impact resulting from its December 31, 2017 financial closing and reporting processes, and (iv) management's further assessment of the Tax Act and related regulatory guidance. The Company will continue its assessment of the impact of the Tax Act on its business and financial statements throughout the one-year measurement period as provided by SAB 118.

9. DEBTS PAYABLE

The details of debts payable were as follows:

	2017	2016	2015
	\$	\$	\$
Promissory notes (a)	15,358,333	12,068,231	3,910,000
Loan payable to a third party (b)	22,065	29,393	-
Total debts payable	15,380,398	12,097,624	3,910,000
Less: Current portion	(17,383)	-	-
Debts payable - Non-current portion	15,363,015	12,097,624	3,910,000

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

9. DEBTS PAYABLE (continued)

As at December 31, 2017, the maturity profile of the principal amounts of debts are as follows:

Year ending December 31	\$
2018	17,383
2019	15,330
2020	16,593
2021	11,090
2022 and thereafter	15,320,002
	15,380,398

(a) Promissory notes

The outstanding balances at respective year ends represent long term debts obtained from 2013 to 2017 in the form of promissory notes. These notes carry interest rate of 18% per annum to be paid monthly.

Promissory notes amounting to \$12,500,000 (2016: \$11,668,232 and 2015: \$3,510,000) are to be repaid along with any unpaid accrued interest by April 2025.

The principal amount of promissory note of \$2,458,333 (2016: \$nil and 2015: \$nil) is to be repaid on maturity date of June 2021. Monthly interest payments to commence from March 2019.

Promissory note amounting to \$400,000 (2016: \$400,000 and 2015: \$400,000) is repayable on an equal monthly installment of \$6,442, starting from May 2017 until the final payment on April 2032. Principal amount outstanding as at December 31, 2017 was \$400,000.

(b) Loan payable to a third party

Effective November 10, 2016, the Company obtained a loan of \$29,393 for a term of four years from a third party for the purchase of a vehicle. This loan carries interest at 5.49% per annum. The principal and interest are payable monthly until November 10, 2020.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

No compensation was paid to the key management for the years ended December 31, 2017, 2016 and 2015.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through loans from third parties and promissory notes. There can be no assurance that the Company will be able to continue raising capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

12. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2017	2016	2015
	\$	\$	\$
Salaries and benefits	1,143,480	457,444	613,279
Rent [Note 13]	366,883	134,848	398,115
Taxes and licenses	17,793	-	-
Bank Service charges	109,962	974	834
Professional and consulting fees	644,112	927,809	537,008
Insurance	73,722	2,972	32,944
Office expenses	125,123	4,389	8,640
Computer expenses	-	57,474	4,122
Utilities	160,386	10,236	9,984
Others	492,721	818,677	310,753
	3,134,182	2,414,823	1,915,679

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

13. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company conducts operations in facilities leased from various third parties. The Company also has certain equipment on lease. The leases expire through 2025 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
2018	800,313
2019	764,938
2020	770,551
2021	708,845
2022	593,832
2023 and thereafter	946,960
	4,585,439

Total rent expensed for the years ended December 31, 2017, 2016 and 2015 were \$720,598, \$134,848 and \$398,115, respectively. For the years ended December 31, 2017, 2016 and 2015, rent included in general and administrative expenses in Note 12 were \$366,883, \$134,848 and \$398,115, respectively.

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at December 31, 2017, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

14. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash and cash equivalents, trade payables, accrued liabilities and long-term debts.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	AFS	L&R	Total	Total
December 31, 2017	\$	\$	\$	\$	\$
Cash	201,697	-	-	201,697	201,697
December 31, 2016					
Cash	27,376	-	-	27,376	27,376
December 31, 2015					
Cash	547,352	-	-	547,352	547,352

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

14. FINANCIAL RISK FACTORS (continued)

Financial liabilities	Carrying values			Fair values
	FVTPL	Other liabilities	Total	Total
December 31, 2017	\$	\$	\$	\$
Trade payables	-	1,117,295	1,117,295	1,117,295
Accrued liabilities	-	6,197,104	6,197,104	6,197,104
Debts payable	-	15,380,398	15,380,398	15,380,398
	-	22,694,797	22,694,797	22,694,797
December 31, 2016	\$	\$	\$	\$
Trade payables	-	563,345	563,345	563,345
Accrued liabilities	-	2,719,643	2,719,643	2,719,643
Debts payable	-	12,097,624	12,097,624	12,097,624
	-	15,380,612	15,380,612	15,380,612
December 31, 2015	\$	\$	\$	\$
Trade payables	-	711,807	711,807	711,807
Accrued liabilities	-	807,350	807,350	807,350
Debts payable	-	3,910,000	3,910,000	3,910,000
	-	5,429,157	5,429,157	5,429,157

The Company's financial instruments as at December 31, 2017, 2016 and 2015 classified as "Level 1 - quoted prices in active markets" is cash and cash equivalents. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and the Company's risk appetite.

SIRA NATURALS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

14. FINANCIAL RISK FACTORS (continued)

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The cash and cash equivalents consist mainly of checking and operating accounts, cash and security deposits. The Company has deposited the cash equivalents with a major highly reputable US bank. As at December 31, 2017, 2016 and 2015 the maximum amount exposed to credit risks was \$201,697, \$27,376 and \$547,352, respectively.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at December 31, 2017, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of over a longer period of time.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debts.

15. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2017, 2016 and 2015, the Company's operations comprise a single reporting operating and geographical segment engaged in the growing, processing and distribution of cannabis.

16. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December 7, 2018, the date the financial statements were issued, and determined the following event:

On January 23, 2018, the Company converted its status from a not-for-profit Corporation into a for-profit Corporation.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX N – SIRA UNAUDITED INTERIM FINANCIAL STATEMENTS

SIRA NATURALS, INC.

**UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**

(EXPRESSED IN UNITED STATES DOLLARS)



Certified
Public
Accountants

SIRA NATURALS, INC.
Unaudited Condensed Interim Financial Statements
September 30, 2018 and 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Members of Sira Naturals, Inc.:

The accompanying unaudited condensed interim financial statements and other financial information in this report were prepared by management of Sira Naturals, Inc. ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the unaudited condensed interim financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's unaudited condensed interim financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of the unaudited condensed interim financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

December 7, 2018

"Michael Dundas" (signed)
Chief Executive Officer

"Eric Wardrop" (signed)
Chief Financial Officer

SIRA NATURALS, INC.
Unaudited Condensed Interim Statements of Financial Position
At September 30, 2018 and December 31, 2017

	September 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current		
Cash and cash equivalents	1,924,581	201,697
Inventory [Note 4]	6,817,695	11,579,070
Biological assets [Note 5]	3,415,120	1,081,141
Prepaid expenses and other assets	135,593	41,808
	12,292,989	12,903,716
Property, plant and equipment [Note 6]	7,745,930	8,203,108
Deferred tax assets	458,111	420,205
Other long term assets	480,401	280,401
Total assets	20,977,431	21,807,430
LIABILITIES		
Current		
Trade payables	1,094,432	1,117,295
Accrued liabilities	1,132,615	811,300
Income tax payable	2,124,970	523,238
Debts payable - current portion [Note 7]	6,832	17,383
	4,358,849	2,469,216
Accrued interest payable	6,577,265	4,862,566
Debts payable - Non-current portion [Note 7]	14,967,581	15,363,015
Total liabilities	25,903,695	22,694,797
SHAREHOLDERS' DEFICIT [Note 1]		
Accumulated deficit	(4,926,264)	(887,367)
Total shareholders' deficit	(4,926,264)	(887,367)
Total liabilities and shareholders' deficit	20,977,431	21,807,430

Nature of operations [Note 1]

Commitments and contingencies [Note 11]

Subsequent events [Note 14]

Approved and authorized by the Board of Directors on December 7, 2018

“Michael Dundas” (signed)
Chief Executive Officer

“Eric Wardrop” (signed)
Chief Financial Officer

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

SIRA NATURALS, INC.
Unaudited Condensed Interim Statements of Operations
For the Three and Nine Months Ended September 30, 2018 and 2017

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Revenues, net of discounts	4,276,967	2,012,881	11,943,362	3,232,598
Cost of goods sold before biological asset adjustment	2,055,334	1,193,366	5,083,275	3,519,086
Gross profit before biological asset adjustment	2,221,633	819,515	6,860,087	(286,488)
Fair value changes in biological assets included in cost of sales	(2,324,354)	(2,230,183)	(11,279,968)	(5,973,529)
Unrealized gain on biological asset transformation [Note 5]	3,417,286	4,295,024	8,964,482	9,843,065
Gross profit	3,314,565	2,884,356	4,544,601	3,583,048
Expenses				
General and administrative [Note 10]	1,595,104	829,860	4,443,880	2,647,175
Sales and marketing	55,652	80,153	270,746	154,075
Depreciation [Note 6]	24,448	24,919	117,586	50,183
Management Fee	112,815	-	211,815	-
Total expenses	1,788,019	934,932	5,044,027	2,851,433
Income (loss) from operations	1,526,546	1,949,424	(499,426)	731,615
Other expense (income)				
Interest expense	690,915	674,921	2,053,749	1,865,553
Rental income and others	(387)	(2,105)	(78,103)	(2,105)
Total other expense	690,528	672,816	1,975,646	1,863,448
Income tax (recovery) expense	18,369	350,876	1,563,825	(10,499)
Net income (loss)	817,649	925,732	(4,038,897)	(1,121,334)

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

SIRA NATURALS, INC.
Unaudited Condensed Interim Statements of Changes in Equity
For the Three and Nine Months Ended September 30, 2018 and 2017

	Retained Earnings (Accumulated Deficit) \$
Balance as at December 31, 2017	(887,367)
Net loss	(4,038,897)
Balance as at September 30, 2018	(4,926,264)
Balance as at December 31, 2016	2,684,696
Net loss	(1,121,334)
Balance as at September 30, 2017	1,563,362

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

SIRA NATURALS, INC.
Unaudited Condensed Interim Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017

	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Operating activities		
Net loss	(4,038,897)	(1,121,334)
<i>Adjustments for items not affecting cash:</i>		
Depreciation	746,329	617,682
Fair value changes in biological assets included in cost of sales	(11,279,968)	(5,973,529)
Unrealized gain on biological asset transformation	8,964,482	9,843,065
<i>Changes in working capital items:</i>		
Inventory	4,761,375	(8,838,592)
Biological assets	(18,493)	1,152,053
Prepaid expenses and other assets	(293,785)	(234,874)
Deferred tax assets	(37,906)	(11,411)
Trade payables	(22,863)	946,250
Accrued liabilities	2,036,014	2,011,057
Income tax payable	1,601,732	456
Cash provided by (used in) operating activities	2,418,020	(1,609,177)
Investing activities		
Purchase of property, plant and equipment	(289,151)	(1,151,644)
Cash used in investing activities	(289,151)	(1,151,644)
Financing activities		
Proceeds from issuance of debts	-	2,823,348
Repayment of debts	(405,985)	-
Cash (used in) provided by financing activities	(405,985)	2,823,348
Net increase in cash	1,722,884	62,527
Cash and cash equivalents, beginning of year	201,697	27,376
Cash and cash equivalents, end of year	1,924,581	89,903
<i>Supplemental cash flow information</i>		
Interest paid	339,050	-

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

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

1. NATURE OF OPERATIONS

Sira Naturals, Inc. (“Sira” or the “Company”) was incorporated as a not-for-profit Corporation on June 18, 2013 in the Commonwealth of Massachusetts, United States of America (“USA”). The Company changed its name from time to time and its latest name change was from Sage Naturals, Inc. to Sira Naturals, Inc., effective December 27, 2017. The Company’s registered address is 300 Trade Center, Suite 7700, Woburn, MA 01801.

On January 23, 2018, the Company converted its status from a not-for-profit Corporation into a for-profit Corporation. The Company applied the status change into a for-profit corporation to the financial statements presentation and the accompanying notes retrospectively for all periods presented consistently.

The Company’s principal activities are the growing, processing and distribution of cannabis as regulated under the laws applicable in the USA.

Going concern

These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of September 30, 2018 the Company has incurred an accumulated loss of \$4,926,264. The Company has raised debt and equity financing to fund its operations. Moreover, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the statement of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These unaudited condensed interim financial statements for the three and nine months ended September 30, 2018 (and comparative results for the three and nine months ended September 30, 2017) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These unaudited condensed interim financial statements should be read in conjunction with the Company’s 2017 financial statements and notes and have been prepared using the same accounting policies described in Note 3 to the 2017 financial statements and notes.

These unaudited condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on December 7, 2018.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

3. BASIS OF PRESENTATION (continued)

2.2 Basis of presentation

These unaudited condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. The unaudited condensed interim financial statements are presented in US dollars which is the presentation and functional currency of the Company.

4. CHANGES IN ACCOUNTING STANDARDS

Changes in accounting standards adopted

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVTOCI”) and FVTPL. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. The Company adopted IFRS 15 effective from January 1, 2018. The adoption did not result in any material change.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

5. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards adopted (continued)

IAS 16 and IAS 41 - Bearer plants

The Company has implemented amendments to IAS 16 and IAS 41, which became effective for annual periods beginning on January 1, 2016. These amendments are summarized below.

- Bearer plants' are accounted for as property, plant and equipment and measured at initial recognition at cost or revaluation basis.
- Bearer plants are defined as a living plant that are used in the production or supply of agricultural produce. Such plants are expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Bearer plants remain within the scope of IAS 41.

The amendments described above are consistent with the Company's accounting practices.

Changes in accounting standards not yet effective

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its unaudited condensed interim financial statements and plans to adopt the requirements in 2019.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

4. INVENTORY

The Company's inventory includes the following:

	September 30, 2018			December 31, 2017		
	Capitalized cost	Fair value adjustment	Carrying value	Capitalized cost	Fair value adjustment	Carrying value
	\$	\$	\$	\$	\$	\$
Harvested cannabis						
Work in process	216,632	3,252,447	3,469,079	2,914,481	3,386,673	6,301,154
Finished goods	51,211	174,306	225,517	14,590	16,954	31,544
	267,843	3,426,753	3,694,596	2,929,071	3,403,627	6,332,698
Cannabis oils						
Work in process	629,848	2,143,807	2,773,655	2,274,051	2,642,482	4,916,533
Finished goods	79,352	270,092	349,444	152,561	177,278	329,839
	709,200	2,413,899	3,123,099	2,426,612	2,819,760	5,246,372
	977,043	5,840,652	6,817,695	5,355,683	6,223,387	11,579,070

Inventories expensed as cost of goods sold during the nine months ended September 30, 2018 and 2017 are \$1,838,445 and \$155,675, respectively. These exclude the fair market value changes of biological assets.

Non-cash expense relating to change in fair value of inventory sold recognized during the nine months ended September 30, 2018 and year ended December 31, 2017, are \$11,279,968 and \$10,274,274, respectively.

5. BIOLOGICAL ASSETS

The continuity of biological assets was as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, beginning of year	1,081,141	9,689,178
Changes in fair value less cost to sell due to biological transformation	8,964,482	12,015,641
Transferred to inventory upon harvest	(6,630,503)	(20,623,678)
Balance, end of year	3,415,120	1,081,141

As of September 30, 2018, the weighted average fair value less cost to complete and cost to sell was \$4.32 per gram (December 31, 2017 - \$6.71 per gram)

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

- | | |
|--|---------------|
| (a) Selling price per gram; | Level 3 input |
| (b) Attrition rate; | Level 3 input |
| (c) Average yield per plant; | Level 3 input |
| (d) Standard cost per gram to compete production | Level 3 input |
| (e) Cumulative stage of completion in production process | Level 3 input |

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

5. BIOLOGICAL ASSETS (continued)

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

Significant inputs or assumptions	Range of inputs	Sensitivity	Effect on fair value	
			September 30, 2018	December 31, 2017
			\$	\$
Selling price per gram*	\$6.36 to \$7.62	Increase or decrease of \$1 per gram	790,780	161,173
Average yield per plant**	124 to 150	Increase or decrease by 5 grams per plant	203,073	41,032

*Selling price per gram is based on average selling prices for the period.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

As of September 30, 2018 and year ended December 31, 2017, the biological assets were on average 51% and 109% complete, respectively. During the period ended September 30, 2018 and year ended December 31, 2017, the Company's biological assets produced 790,780 grams and 161,173 grams of dried cannabis, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings & leasehold improvements	Furniture and fixtures	Office equipment	Machinery & equipment	Auto & trucks	Total
	\$	\$	\$	\$	\$	\$
Cost						
As at December 31, 2017	8,100,501	621,040	57,537	492,972	29,393	9,301,443
Additions	161,853	127,298	-	-	-	289,151
As at September 30, 2018	8,262,354	748,338	57,537	492,972	29,393	9,590,594
Depreciation						
As at December 31, 2017	1,043,521	19,511	933	28,981	5,389	1,098,335
Depreciation	654,703	68,820	525	17,872	4,409	746,329
As at September 30, 2018	1,698,224	88,331	1,458	46,853	9,798	1,844,664
Net book value						
As at December 31, 2017	7,056,980	601,529	56,604	463,991	24,004	8,203,108
As at September 30, 2018	6,564,130	660,007	56,079	446,119	19,595	7,745,930

As at September 30, 2018, buildings and leasehold improvements include borrowing costs of \$505,799, capitalized in connection with loan used for the construction of buildings (December 31, 2017: \$498,767).

Depreciation expense for the nine months ended September 30, 2018 and 2017 of \$628,742 and \$784,755, respectively, is included in cost of goods sold.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

7. DEBTS PAYABLE

The details of debts payable were as follows:

	September 30, 2018 \$	December 31, 2017 \$
Promissory notes (a)	14,958,333	15,358,333
Loan payable (b)	16,080	22,065
Total debts payable	14,974,413	15,380,398
Less: Current portion	(6,832)	(17,383)
Debts payable - Non-current portion	14,967,581	15,363,015

As at September 30, 2018 the maturity profile of the debts are as follows:

Year ending December 31	\$
3 months 2018	1,708
2019	15,330
2020	16,600
2021	11,090
2022 and thereafter	14,929,685
	14,974,413

(a) Promissory notes

The outstanding balances at respective year ends represent long term debts obtained from 2013 to 2017 in the form of promissory notes. These notes carry interest rate of 18% per annum to be paid monthly.

Promissory notes amounting to \$14,958,333 (December 31, 2017: 12,500,000) are to be repaid along with any unpaid accrued interest by April 2025.

(b) Loan payable to a third party

Effective November 10, 2016, the Company obtained a loan of \$29,393 for a term of four years from a third party for purchase of a vehicle. This loan carries interest at 5.49% per annum. The principal and interest are payable monthly until November 10, 2020.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

Included in expenses for the nine months ended September 30, 2018 is a management fee of \$211,815 charged by a related Corporation (Nine months ended September 30, 2017 - \$nil).

Included in expenses for the nine months ended September 30, 2018 is a management fee of \$211,815 charged by a related corporation (Nine months ended September 30, 2017: \$nil) under a management agreement. The management fee was paid monthly and varied based on actual costs incurred by the related corporation when providing the Company administrative, support, and management services. The management agreement was a month-to-month arrangement.

No compensation was paid to key management for the nine months ended September 30, 2018 or for the nine months ended September 30, 2017.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through loans from third parties and promissory notes. There can be no assurance that the Company will be able to continue raising capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

10. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Nine Months Ended September 30, 2017 \$
Salaries and benefits	736,366	314,251	1,952,107	925,876
Rent [Note 11]	147,857	86,525	464,134	227,256
Taxes and licenses	2,813	2,568	18,919	2,908
Professional and consulting fees	117,051	194,596	511,029	473,400
Office expenses	22,408	33,954	72,147	114,070
Computer expenses	27,169	45,116	82,533	180,558
Bank charges and fees	43,528	39,708	171,466	60,299
Community agreements	178,472	-	526,730	-
Security	75,548	41,453	215,532	100,183
Utilities	15,116	15,050	56,303	219,234
Others	228,776	56,639	372,980	343,391
	1,595,104	829,860	4,443,880	2,647,175

11. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company conducts operations in facilities leased from various third parties. The Company also has certain equipment on lease. The leases expire through 2025 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	\$
Three Months 2018	200,078
2019	764,938
2020	770,551
2021	708,845
2022	593,832
2023 and thereafter	946,960
	3,985,204

Total rent expensed for the nine months ended September 30, 2018 and for the nine months ended September 30, 2017 were \$738,542 and \$479,874, respectively. For the period ended September 30, 2018 and for the period ended September 30, 2017, rent included in general and administrative expenses in Note 10 were \$464,134 and \$277,256, respectively.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

11. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

12. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash and cash equivalents, trade payables, accrued liabilities and debts payable.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the unaudited condensed interim financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

12. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Total	Fair values
	FVTPL	FVTOCI	AC		Total
	\$	\$	\$	\$	\$
September 30, 2018					
Cash and cash equivalents	1,924,581	-	-	1,924,581	1,924,581
December 31, 2017					
Cash and cash equivalents	201,697	-	-	201,697	201,697

Financial liabilities	Carrying values			Total	Fair values
	FVTPL	AC	Total		Total
	\$	\$	\$	\$	\$
September 30, 2018					
Trade payables	-	1,094,432	1,094,432	1,094,432	1,094,432
Accrued liabilities	-	9,834,850	9,834,850	9,834,850	9,834,850
Debts payable	-	14,974,413	14,974,413	14,974,413	14,974,413
	-	25,903,695	25,903,695	25,903,695	25,903,695
December 31, 2017					
Trade payables	-	1,117,295	1,117,295	1,117,295	1,117,295
Accrued liabilities	-	6,197,104	6,197,104	6,197,104	6,197,104
Debts payable	-	15,380,398	15,380,398	15,380,398	15,380,398
	-	22,694,797	22,694,797	22,694,797	22,694,797

The Company’s financial instruments as at September 30, 2018 and December 31, 2017 classified as “Level 1 - quoted prices in active markets” is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company’s management oversees the management of these risks. The Company’s management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and company risk appetite.

SIRA NATURALS, INC.
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

12. FINANCIAL RISK FACTORS (continued)

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$1,924,581 and \$201,697, respectively.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debts.

13. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At September 30, 2018, the Company's operations comprise a single reporting operating and geographical segment engaged in the growing, processing and distribution of cannabis.

14. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to December 7, 2018, the date the unaudited condensed interim financial statements were issued, and determined the following event:

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX O – MANAGEMENT’S DISCUSSION & ANALYSIS OF SIRA

Management's Discussion and Analysis – Sira Naturals, Inc.

Overview

Sira Naturals, Inc. (“Sira”) is a vertically-integrated cannabis company operating in the Massachusetts cannabis market.

Major Business Lines and Geographies

Sira views its financial results under one business line (cannabis cultivation, production, and sales). Sira generates all of its revenue in the State of Massachusetts.

Cannabis Cultivation, Production, and Sales

Sira is a licensed, integrated cannabis operator with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations. Sira’s business is growing cannabis and selling both raw cannabis and other cannabis products at its dispensary locations in Cambridge, Somerville and Needham, MA.

Sira generates revenue by selling its products both to its own and third-party dispensaries in Massachusetts, including both raw cannabis, cannabis oil, and cannabis consumer goods.

Geographic Areas

All of Sira’s revenue is derived from the Massachusetts cannabis market.

Market Update and Sira’s Objectives

Sira has a state-of-the-art cultivation, extraction, processing, and distribution capabilities and three retail dispensaries in key locations. Sira’s objectives have been to grow its business by expanding its cultivation footprint to meet the expected increase in demand from the expected upcoming legalization of adult-use cannabis under Massachusetts state law. Given the anticipated commencement of legal adult-use sales in Massachusetts in the near-to-medium term, management believes that expanding Sira’s cultivation footprint is particularly attractive.

Annual Results of Operations

(\$ in millions)

	12 months ended December 31,		
	2017	2016	2015
Revenue	6.3	--	--
Cost of Goods Sold ¹	4.9	--	--
Gross Profits ²	1.4	--	--
General and Administrative Expenses	3.1	2.4	1.9
Sales and Marketing Expense	0.3	--	--
(Loss) income from operations	(0.4)	6.2	(1.9)
Net (loss) income	(3.6)	5.5	(2.5)
Total Assets	21.8	18.1	2.6
Current Liabilities	2.5	1.0	1.0
Total Liabilities	22.7	15.4	5.4
Total Net Assets	(0.9)	2.7	(2.8)

¹ Before biological asset adjustment

² Before biological asset adjustment

Revenue

2017

For the year ended December 31, 2017, revenue was \$6.3 million, which represents an increase of \$6.3 million from the prior year amount of \$0.0 million. This increase was driven by the opening of each of Sira's medical dispensaries in Cambridge, Somerville and Needham and the commencement of Sira's retail and wholesale operations during 2017.

2016

For the year ended December 31, 2016, revenue was \$0.0 million, which represents no change from the prior year amount of \$0.0 million. There were no sales activities in 2015 or 2016.

Cost of Goods Sold (Before Biological Asset Adjustment)

2017

For the year ended December 31, 2017, cost of goods sold was \$4.9 million, which represents an increase of \$4.9 million from the prior year amount of \$0.0 million. This increase was driven by the increased demand placed on Sira's cultivation, extraction, manufacturing, and production operations in order to support sales at Sira's dispensaries and in the wholesale market.

2016

For the year ended December 31, 2016, cost of goods sold was \$0.0 million, which represents no change from the prior year amount of \$0.0 million. There were no sales activities in 2015 or 2016.

General and Administrative Expenses

2017

For the year ended December 31, 2017, general and administrative expenses were \$3.1 million, which represents an increase of \$0.7 million or 29.2% from the prior year amount of \$2.4 million. This increase was driven by higher operating costs resulting from (i) Sira's cultivation, extraction, manufacturing, and production operations required to support Sira's dispensaries (all three of which opened in 2017), and (ii) the operating costs resulting from such dispensaries and commencement of wholesale operations.

2016

For the year ended December 31, 2016, general and administrative expenses were \$2.4 million, which represents an increase of \$0.5 million or 26.3% from the prior year amount of \$1.9 million. This increase was driven by higher operating costs resulting from Sira's cultivation, extraction, manufacturing, and production operations required to support the anticipated opening of its dispensaries and commencement of wholesale operations in 2017.

Sales and Marketing Expenses

2017

For the year ended December 31, 2017, sales and marketing expenses were \$0.3 million, which represents an increase of \$0.3 million from the prior year amount of \$0.0 million. The increase was driven by activity supporting Sira's newly commenced retail and wholesale operations in 2017.

2016

For the year ended December 31, 2016, sales and marketing expenses were \$0.0 million, which represents no change from the prior year amount of \$0.0 million. There were no sales or marketing activities in 2015 or 2016.

Quarterly Results of Operations

(\$ in millions)	3 months ended September 30,		9 months ended September 30,	
	2018	2017	2018	2017
Revenue	4.3	2.0	11.9	3.2
Cost of Goods Sold ³	2.1	1.2	5.1	3.5
Gross Profits ⁴	2.2	0.8	6.8	(0.3)
General and Administrative Expenses	1.6	0.8	4.4	2.6
Sales and Marketing Expense	0.1	0.1	0.3	0.2
Income (loss) from operations	1.5	1.9	(0.5)	0.7
Net income (loss)	0.8	0.9	(4.0)	(1.1)

Revenue

For the three months ended September 30, 2018, revenue was \$4.3 million, which represents an increase of \$2.3 million or 115.0% from the prior year amount of \$2.0 million. Increased sales are primarily the result of increased volume at Sira's dispensaries and in the wholesale market driven by an overall increase in consumer demand.

For the nine months ended September 30, 2018, revenue was \$11.9 million, which represents an increase of \$8.7 million or 271.9% from the prior year amount of \$3.2 million. Increased sales are primarily the result of increased volume at Sira's dispensaries and in the wholesale market driven by an overall increase in consumer demand.

Cost of Goods Sold (Before Biological Asset Adjustment)

For the three months ended September 30, 2018, cost of goods sold was \$2.1 million, which represents an increase of \$0.9 million or 75.0% from the prior year amount of \$1.2 million. This decrease is largely due to seasonality and timing differences relating to Sira's cultivation and manufacturing operations.

For the nine months ended September 30, 2018, cost of goods sold was \$5.1 million, which represents an increase of \$1.6 million or 45.7% from the prior year amount of \$3.5 million. This increase is primarily the result of increased volume at Sira's dispensaries and in the wholesale market driven by an overall increase in consumer demand.

General and Administrative Expenses

For the three months ended September 30, 2018, general and administrative expenses were \$1.6 million, which represents an increase of \$0.8 million or 75.0% from the prior year amount of \$0.8 million. This increase is largely due to an increase in salaries and benefits, expenses related to community agreements, and increased operating costs associated with additional dispensaries.

For the nine months ended September 30, 2018, general and administrative expenses were \$4.4 million, which represents an increase of \$1.8 million or 69.2% from the prior year amount of \$2.6 million. This increase is largely due to an increase in salaries and benefits, expenses related to community agreements, and increased operating costs associated with additional dispensaries.

³ Before biological asset adjustment

⁴ Before biological asset adjustment

Sales and Marketing Expenses

For the three months ended September 30, 2018, sales and marketing expenses were \$0.1 million, which represents a change of \$(0.0) million from the prior year amount of \$0.1 million. This relatively low level of spending is largely due to timing and seasonality in sales and marketing activities.

For the nine months ended September 30, 2018, sales and marketing expenses were \$0.3 million, which represents an increase of \$0.1 million or 50.0% from the prior year amount of \$0.2 million. This increase is primarily the result of increased volume at Sira dispensaries and in the wholesale market driven by an overall increase in consumer demand.

Liquidity and Capital Resources

Overview

Historically, Sira's primary source of liquidity has been borrowing funds from its owners. Today, Sira generates positive cash flow from its operations, and expects to continue to do so, and this cash flow is its principal source of liquidity.

Financial Condition

Cash Flows

The following table summarizes Sira's consolidated statement of cash flows from continuing operations:

<i>(\$ in millions)</i>	9 months ended September 30,		12 months ended December 31,		
	2018	2017	2017	2016	2015
Cash provided by (used in)					
Operating activities	2.4	(1.6)	(1.4)	(3.2)	(1.3)
Investing activities	(0.3)	(1.2)	(1.7)	(5.5)	(2.1)
Financing activities	(0.4)	2.8	3.3	8.2	3.9
Net Change in Cash	1.7	0.1	0.2	(0.5)	0.5
Cash Balance, Beginning	0.2	0.0	0.0	0.5	--
Cash Balance, Ending	1.9	0.1	0.2	0.0	0.5

Cash Flow Provided by Operating Activities

Cash flow from operating activities increased by \$4.0 million for the nine month period ended September 30, 2018 compared to September 30, 2017. This increase was primarily driven by the increase in sales and was partially offset by shifting working capital needs related to the increase in sales.

Cash flow from operating activities increased by \$1.8 million in 2017 compared to 2016. This increase was primarily driven by the increase in sales and was partially offset by shifting working capital needs related to the increase in sales.

Cash flow from operating activities changed by \$(1.9) million in 2016 compared to 2015. This change was driven by Sira's increased cultivation activity to support the anticipated opening of its dispensaries and commencing wholesale sales in 2017.

Cash flow from operating activities in 2015 is \$(1.3) million.

Cash Flow Provided by (Used in) Investing Activities

Cash flow from investing activities increased by \$0.9 million for the nine month period ended September 30, 2018 compared to September 30, 2017. This change was due to decreased spending from the same period the prior year due fewer costs related to new dispensaries.

Cash flow from investing activities increased by \$3.8 million in 2017 compared to 2016. This increase was the result of lower spending due to Sira finishing construction on key facilities.

Cash flow from investing activities changed by \$(3.4) million in 2016 compared to 2015. This decrease was due to higher spending on construction and facilities.

Cash flow from investing activities in 2015 is \$(2.1) million.

Cash Flow Provided by (Used in) Financing Activities

Cash flow from financing activities changed by \$(3.2) million for the nine month period ended September 30, 2018 compared to September 30, 2017. This change is the result of Sira net repaying debt in the nine month period ended September 30, 2018 versus net borrowing in the nine month period ended September 30, 2017.

Cash flow from financing activities changed by \$(4.9) million in 2017 compared to 2016. This decrease reflects lower net borrowing activity.

Cash flow from financing activities increased by \$4.3 million in 2016 compared to 2015. This decrease reflects higher net borrowing activity.

Cash flow from financing activities in 2015 is \$3.9 million.

As previously noted, Sira's primary capital resource is cash flow generated from operations. Sira does not have any other committed sources of financing or significant capital expenditure commitments.

Contractual Obligations

Sira has contractual obligations to make future payments, including debt agreements and lease agreements from a related party. The following table summarizes such obligations as of September 30, 2018:

	Remaining Amount Due by Period				
	Total	2018	2019	2020-2021	After 2021
Debt	14,974,413	1,708	15,330	27,690	14,929,685
Operating Leases	3,985,204	200,078	764,938	1,479,396	1,540,792
Total Contractual Obligations	18,959,617	201,786	780,268	1,507,086	16,470,477

Transactions with Related Parties

The leasing arrangement with a related party is disclosed in Contractual Obligations section above.

A management fee of \$211,815 was paid to a related party during the nine months ended September 30, 2018.

No compensation was paid by Sira to key management for the nine months ended September 30, 2018.

Critical Accounting Estimates

Critical Accounting Judgments and Estimates

The application of Sira's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made and are based on a variety of factors including historical experience, general economic conditions and assumptions regarding probable future outcomes. These estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from these estimates.

The following areas require management's critical estimates and judgments:

Biological Assets and Inventory

In calculating the value of the inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Changes in Accounting Policies Including Adoption

Changes in Accounting Policies

There were no significant changes in accounting policies the nine months ended September 30, 2018. Sira's significant accounting policies are described in notes entitled "Summary of Significant Accounting Policies" to Sira's audited and unaudited consolidated financial statements.

Accounting Standards Issued but not yet Effective

The following new standards and interpretations have been adopted by Sira and are described in the notes entitled "Changes in Accounting Standards" to Sira's audited and unaudited consolidated financial statements:

- IFRS 9 - Financial Instruments adopted effective from January 1, 2018; the adoption did not result in any material change.
- IFRS 15 - Revenue from Contracts with Customers adopted effective from January 1, 2018; the adoption did not result in any material change.
- Amendments to IAS 16 and IAS 41, Bearer Plants implemented on January 1, 2016; the amendments are consistent with Sira's accounting practices.

The following new standards and interpretations are not yet effective and are described in the notes entitled "Changes in Accounting Standards" to Sira's audited and unaudited consolidated financial statements:

- IFRS 16 - Leases effective for annual periods beginning on or after January 1, 2019; Sira plans to adopt the requirements in 2019 and is currently evaluating the impact adopting the standard will have on its consolidated financial statements.

Financial Instruments and Other Instruments

Fair Value of Financial Instruments

Sira's financial instruments consist of cash and cash equivalents, trade payables, accrued liabilities, and debts payable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

- Level 3 – inputs are unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions and are not based on observable market data.

As of September 30, 2018 cash and cash equivalents were classified as Level 1. For other financial assets and financial liabilities, the carrying amount is considered a reasonable approximation of fair value.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject Sira to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The cash and cash equivalents consist mainly of short term money market deposits. Sira has deposited the cash equivalents with a major highly reputable U.S. bank. For its accounts receivable, Sira ensures to deal with creditworthy customers. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$1,924,581 and \$201,697, respectively.

Liquidity Risk

Liquidity risk is the risk that Sira is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. Sira’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Sira manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Sira is exposed to interest rate risk on its long-term debt.

APPENDIX P – CANNAPUNCH AUDITED FINANCIAL STATEMENTS

CANNAPUNCH OF NEVADA LLC

Financial Statements

As of and for the Period from March 30, 2017
(Inception Date) to December 31, 2017

(Expressed in United States Dollars)



Certified
Public
Accountants

CANNAPUNCH OF NEVADA LLC
Financial Statements
December 31, 2017

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Management's Responsibility for Financial Reporting

Management's Responsibility

To the Members of CannaPunch of Nevada LLC:

The accompanying financial statements and other financial information in this annual report were prepared by management of CannaPunch of Nevada LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditors, Macias Gini & O'Connell, LLP, and their report is presented herein.

November 16, 2018

"Mark Smith" (Signed)
Chief Executive Officer



Independent Auditor's Report

To the Members of CannaPunch of Nevada LLC

We have audited the accompanying financial statements of CannaPunch of Nevada LLC (the "Company"), which comprise the statement of financial position as at December 31, 2017 and the statements of income, changes in members' equity and cash flows for the period from March 30, 2017 (Inception Date) to December 31, 2017 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of CannaPunch of Nevada LLC as at December 31, 2017, and its financial performance and its cash flows for the period from March 30, 2017 (Inception Date) to December 31, 2017, in accordance with International Financial Reporting Standards.

San Diego, California
November 16, 2018

CANNAPUNCH OF NEVADA LLC
Statement of Financial Position
At December 31, 2017

	December 31, 2017
<hr/>	
	\$
<hr/>	
ASSETS	
Current	
Cash	146,817
Inventory [Note 5]	138,420
Accounts receivable, trade, no allowance	81,483
Prepaid expenses and other assets	22,645
	<hr/>
	389,365
Machinery and equipment [Note 6]	21,601
Total assets	<hr/>
	410,966
<hr/>	
LIABILITIES	
Current	
Trade payables	26,752
Accrued liabilities	94,330
Total liabilities	<hr/>
	121,082
<hr/>	
MEMBERS' EQUITY	289,884
Total liabilities and members' equity	<hr/>
	410,966
<hr/>	

Nature of operations [Note 1]

Commitments and contingencies [Note 12]

Subsequent events [Note 15]

Approved and authorized on behalf of the Board of Directors on November 16, 2018

“Mark Smith” (Signed)

Chief Executive Officer

The Accompanying Notes are an Integral Part of These Financial Statements.

CANNAPUNCH OF NEVADA LLC
Statement of Income
For the Period from March 30, 2017 to December 31, 2017

	For the Period From March 30, 2017 to December 31, 2017
	\$
Revenues, net of discounts	2,668,521
Cost of goods sold	1,330,007
Gross profit	1,338,514
Expenses	
General and administrative [Note 10]	277,982
Sales and marketing	53,494
Licensor profit share [Note 11]	423,501
Total expenses	754,977
Net income	583,537

The Accompanying Notes are an Integral Part of These Financial Statements.

CANNAPUNCH OF NEVADA LLC
Statement of Changes in Members' Equity
For the Period from March 30, 2017 to December 31, 2017

	Members' Equity \$
Contribution [Note 7]	58,135
Distributions	(351,788)
Net income for the period	583,537
Balance as at December 31, 2017	289,884

The Accompanying Notes are an Integral Part of These Financial Statements.

CANNAPUNCH OF NEVADA LLC
Statement of Cash Flows
For the Period from March 30, 2017 to December 31, 2017

	For the Period From March 30, 2017 to December 31, 2017
	\$
<hr/>	
Operating activities	
Net income	583,537
<i>Adjustments for items not affecting cash:</i>	
Depreciation	745
<i>Changes in working capital items:</i>	
Inventory	(138,420)
Accounts receivable	(81,483)
Prepaid expenses and other assets	(22,645)
Trade payables	26,752
Accrued liabilities	94,330
Cash provided by operating activities	462,816
<hr/>	
Investing activities	
Purchase of machinery and equipment	(22,346)
Cash used in investing activities	(22,346)
<hr/>	
Financing activities	
Contribution	58,135
Distributions	(351,788)
Cash used in financing activities	(293,653)
<hr/>	
Net increase in cash	146,817
Cash, beginning of period	-
Cash, end of period	146,817

The Accompanying Notes are an Integral Part of These Financial Statements.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

1. NATURE OF OPERATIONS

CannaPunch of Nevada LLC (“CannaPunch” or the “Company”) was incorporated as a Limited Liability Company on March 30, 2017 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 5425 Polaris Ave, Las Vegas, NV 89118.

The Company’s principal activities are the manufacture and distribution of cannabis infused products as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issue by the Board of Directors of the Company on November 16, 2018.

2.2 Basis of Presentation

The Company adopted IFRS effective March 30, 2017. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The financial statements are presented in US dollars which is the presentation and functional currency of the Company.

These financial statements cover a period from March 30, 2017 (Inception date) to December 31, 2017 and thereby present the Company’s first period of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue is recognized at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Machinery and Equipment (“M&E”)

Machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of M&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of M&E, less their estimated residual value, using the straight-line method over the expected useful life of 5 years for M&E.

An item of M&E is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of income.

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for M&E and any changes arising from the assessment are applied by the Company prospectively.

Where an item of machinery and equipment comprise of major components with different useful lives, the components are accounted for as separate items of machinery and equipment. Expenditures incurred to replace a component of an item of machinery and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.3 Taxation

The Company is considered a Limited Liability Company for income tax purposes, for the period ended December 31, 2017. Therefore, the Company’s taxable income is allocated to the members for inclusion on their respective income tax returns.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial Instruments

All financial instruments are recognized when the Company becomes party to the contractual provisions of the financial instrument and are initially measured at fair value for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial instruments are classified into the following categories upon initial recognition:

- loans and receivables (“L&R”)
- financial instruments at fair value through profit or loss (“FVTPL”)
- held-to-maturity investments
- available-for-sale assets (“AFS”)
- other financial liabilities

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, described below.

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is recognized in profit or loss within general administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income (loss) until the asset is removed from the statements of financial position.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial Instruments (Continued)

Other financial liabilities include liabilities that have not been classified as fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance.

See Note 13 - Financial Risk factors for the details of their classification.

3.5 Impairment of Non-Financial Assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Inventory

Inventories comprise of raw materials and finished goods, and are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. At December 31, 2017 there were no reserves for inventories required.

3.7 Cash and Cash Equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.9 Significant Accounting Judgments and Estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Significant Accounting Judgments and Estimates (Continued)

The following areas require management's critical estimates and judgments:

(a) Estimated useful lives and depreciation of machinery and equipment

Depreciation and depreciation of machinery and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

4. CHANGES IN ACCOUNTING STANDARDS

Changes in Accounting Standards not yet Effective

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018. The Company is assessing the potential financial and disclosure impact of this standard on its financial statements but does not expect the impact to be material.

IFRS 7, Financial Instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

4. CHANGES IN ACCOUNTING STANDARDS (Continued)

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. The Company is currently evaluating the impact the standard is expected to have on its financial statements.

5. INVENTORY

The Company’s inventory includes the following:

	2017
	\$
Raw materials	23,283
Finished goods	115,137
Balance, at end	138,420

Inventories expensed as cost of goods sold during the period ended December 31, 2017 is \$1,025,749.

6. MACHINERY AND EQUIPMENT

	Machinery & equipment
	\$
Additions	22,346
As at December 31, 2017	22,346
Depreciation	
Depreciation	745
As at December 31, 2017	745
Net book value	
As at December 31, 2017	21,601

Depreciation expense for the period ended December 31, 2017 of \$745 is included in cost of goods sold.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

7. MEMBERS' EQUITY

During the period ended December 31, 2017 the members of the Company contributed in cash amounting to \$58,135.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive.

During the period ended December 31, 2017, sales of \$63,757 made to a related corporation is included in revenue and purchase of \$51,358 from a related corporation is included in cost of goods sold.

No compensation was paid to key management for the period ended December 31, 2017.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to externally imposed capital requirements. As at December 31, 2017 the capital of the Company was \$289,885.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the Members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital (after dividend) that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

10. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2017
	\$
Salaries and benefits	209,004
Taxes and Licenses	22,383
Travel	24,128
Meals	7,648
Office expenses	4,829
Professional and consulting fees	3,384
Others	6,606
	277,982

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

11. LICENSOR PROFIT SHARE

Effective March 31, 2017, the Company entered into a Licensing Agreement (the “Agreement”) with a Third Party (“Licensor”) for use of Licensor’s medical (and subsequent adult use recreational) marijuana production establishment and equipment, in order to produce wholesale and certain retail marijuana edible and infused products for a period of 5 years to be renewed annually by mutual agreement.

Pursuant to the terms of the Agreement, 50% of profits or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) generated by sales, shall be paid as License Fee, along with any taxes and fees paid by the Licensor. On December 31, 2017, the Agreement was amended by signing a subsequent license fee agreement memo (the “Memo”). In accordance with the Memo, license fee payable by the Company would work as a credit netted against any amounts owed by Licensor for product purchases less any amounts owed by the Company for reimbursement of taxes and utilities to the Licensor.

Subsequently, on September 18, 2018, the Company entered into a Supply Agreement with the above Licensor as disclosed in Note 15.

12. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at December 31, 2017, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

13. FINANCIAL RISK FACTORS

The Company’s financial instruments mainly comprise of cash, advance to a related corporation, trade payables and accrued liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

13. FINANCIAL RISK FACTORS (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values		Fair values	
	FVTPL	Other assets	Total	Total
December 31, 2017	\$	\$	\$	\$
Cash	146,817	-	146,817	146,817
Accounts receivable	81,483	-	81,483	81,483
	228,300	-	228,300	228,300

Financial liabilities	Carrying values		Fair values	
	FVTPL	Other liabilities	Total	Total
December 31, 2017	\$	\$	\$	\$
Trade payables	-	26,752	26,752	26,752
Accrued liabilities	-	94,330	94,330	94,330
	-	121,082	121,082	121,082

The Company's financial instruments as at December 31, 2017 are classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

13. FINANCIAL RISK FACTORS (Continued)

The Company is exposed to credit and liquidity risks. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The cash consist mainly of short-term money market deposits. As at December 31, 2017 the maximum amount exposed to credit risks was \$228,300.

During the period ended December 31, 2017, revenue from one customer is approximately 36% of total revenue and purchases of raw materials from two suppliers were approximately 33% of total purchase.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at December 31, 2017, all trade payables and accrued liabilities are due within a year.

14. SEGMENTED INFORMATION

Operating and Geographical Segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2017 the Company's operations comprise a single reporting operating and geographical segment engaged in the manufacture and distribution of cannabis infused products.

CANNAPUNCH OF NEVADA LLC
Notes to the Financial Statements
For the Period from March 30, 2017 to December 31, 2017

15. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 16, 2018, the date the financial statements were issued, and determined the following event:

On September 18, 2018, the Company entered into a Supply Agreement with the Licensor, which is contingent upon cancellation of the license fee Agreement as disclosed in Note 11. Pursuant to this Supply Agreement, the Company agreed to offer a 20% discount on its lowest retail price to the Licensor for a period of 5 years.

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX Q – CANNAPUNCH UNAUDITED INTERIM FINANCIAL STATEMENTS

CANNAPUNCH OF NEVADA LLC

Unaudited Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30,
2018 and Three Months and for the Period from March
30, 2017 (Inception Date) To September 30, 2017

(Expressed In United States Dollars)



Certified
Public
Accountants

CANNAPUNCH OF NEVADA LLC
Unaudited Condensed Interim Financial Statements
September 30, 2018 and 2017

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Management's Responsibility for Financial Reporting

Management's Responsibility

To the Members of CannaPunch of Nevada LLC:

The accompanying unaudited condensed interim financial statements and other financial information in this annual report were prepared by management of CannaPunch of Nevada LLC ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

November 27, 2018

"Mark Smith" (Signed)
Chief Executive Officer

CANNAPUNCH OF NEVADA LLC
Unaudited Condensed Interim Statements of Financial Position
At September 30, 2018 and December 31, 2017

	September 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current		
Cash	235,903	146,817
Inventory [Note 4]	372,754	138,420
Accounts receivable, trade, no allowance	192,155	81,483
Prepaid expenses and other assets	1,210	22,645
	802,022	389,365
Machinery and equipment [Note 5]	23,550	21,601
Total assets	825,572	410,966
LIABILITIES		
Current		
Trade payables	54,304	26,751
Accrued liabilities	96,972	94,330
Advance from a member	1,402	-
Total liabilities	152,678	121,081
MEMBERS' EQUITY	672,894	289,885
Total liabilities and members' equity	825,572	410,966

Nature of operations [Note 1]

Commitments and contingencies [Note 11]

Subsequent events [Note 14]

Approved and authorized on behalf of the Board of Directors on November 27, 2018

“Mark Smith” (Signed)

Chief Executive Officer

The Accompanying Notes are an Integral Part of These Unaudited Condensed Interim Financial Statements.

CANNAPUNCH OF NEVADA LLC
Unaudited Condensed Interim Statements of Income
For the Three and Nine Months Ended September 30, 2018 and
Three Months and Period Ended September 30, 2017

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Period Ended September 30, 2017
	\$	\$	\$	\$
Revenues, net of discounts	1,727,909	929,087	4,807,156	1,379,235
Cost of goods sold	663,697	488,370	2,131,676	701,236
Gross profit	1,064,212	440,717	2,675,480	677,999
Expenses				
General and administrative [Note 9]	244,081	90,212	690,174	139,708
Sales and marketing	20,649	14,419	65,761	31,204
Licensor profit share [Note 10]	460,555	185,426	740,847	265,470
Total expenses	725,285	290,057	1,496,782	436,382
Net income	338,927	150,660	1,178,698	241,617

The Accompanying Notes are an Integral Part of These Unaudited Condensed Interim Financial Statements.

CANNAPUNCH OF NEVADA LLC
 Unaudited Condensed Interim Statements of Changes in Members' Equity
 For the Nine Months Ended September 30, 2018 and Period Ended September 30, 2017

	Members' Equity \$
Balance at December 31, 2017	289,885
Distributions	(795,689)
Net income for the period	1,178,698
Balance at September 30, 2018	672,894
Contribution	47,553
Distributions	(211,630)
Net income for the period	241,617
Balance at September 30, 2017	77,540

The Accompanying Notes are an Integral Part of These Unaudited Condensed Interim Financial Statements.

CANNAPUNCH OF NEVADA LLC
Unaudited Condensed Interim Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and Period Ended September 30, 2017

	Nine Months Ended September 30, 2018 \$	Period Ended September 30, 2017 \$
Operating activities		
Net income	1,178,698	241,617
<i>Adjustments for items not affecting cash:</i>		
Depreciation	3,631	-
<i>Changes in working capital items:</i>		
Inventory	(234,334)	(49,612)
Accounts receivable	(110,672)	(67,584)
Prepaid expenses and other assets	21,435	(750)
Trade payables	27,553	113,510
Accrued liabilities	2,642	144,562
Advance from a member	1,402	1,402
Cash provided by operating activities	890,355	383,145
Investing activities		
Purchase of machinery and equipment	(5,580)	-
Cash used in investing activities	(5,580)	-
Financing activities		
Contribution	-	47,553
Distributions	(795,689)	(211,630)
Cash used in financing activities	(795,689)	(164,077)
Net increase in cash	89,086	219,068
Cash, beginning of period	146,817	-
Cash, end of period	235,903	219,068

The Accompanying Notes are an Integral Part of These Unaudited Condensed Interim Financial Statements.

CANNAPUNCH OF NEVADA LLC
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and
Three Months and Period Ended September 30, 2017

1. NATURE OF OPERATIONS

CannaPunch of Nevada LLC (“CannaPunch” or the “Company”) was incorporated as a Limited Liability Company on March 30, 2017 in the State of Nevada, United States of America (“USA”). The Company’s head office is located at 5425 Polaris Ave, Las Vegas, NV 89118.

The Company’s principal activities are manufacture and distribution of cannabis infused products as regulated under the laws applicable in the USA.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

These unaudited condensed interim financial statements for the three and nine months ended September 30, 2018 (and comparative results for the three months and for the period from March 30, 2017 to September 30, 2017) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These condensed interim financial statements should be read in conjunction with the Company’s 2017 financial statements and notes and have been prepared using the same accounting policies described in Note 3 to the 2017 financial statements and notes.

These unaudited condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 27, 2018.

2.2 Basis of Presentation

These unaudited condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. The condensed interim financial statements are presented in US dollars which is the presentation and functional currency of the Company.

3. CHANGES IN ACCOUNTING STANDARDS

Changes in Accounting Standards Adopted

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”).

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income (“OCI”) instead of Net Income, unless this would create an accounting mismatch.

CANNAPUNCH OF NEVADA LLC
Notes to the Unaudited Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2018 and
Three Months and Period Ended September 30, 2017

3. CHANGES IN ACCOUNTING STANDARDS (Continued)

IFRS 9 - Financial Instruments (Continued)

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVTOCI”) and FVTPL. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. The Company adopted IFRS 15 effective from January 1, 2018. The adoption did not result in any material change.

4. INVENTORY

The Company’s inventory includes the following:

	September 30, 2018	December 31, 2017
	\$	\$
Raw materials	113,805	23,283
Finished goods	258,949	115,137
Balance, at end	372,754	138,420

Inventories expensed as cost of goods sold during the nine months ended September 30, 2018 and 2017 is \$1,587,488 and, \$541,992, respectively.

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5. MACHINERY AND EQUIPMENT

	Machinery & equipment
Cost	\$
Additions	22,346
As at December 31, 2017	22,346
Additions	5,580
As at September 30, 2018	27,926
Depreciation	
Depreciation	745
As at December 31, 2017	745
Depreciation	3,631
As at September 30, 2018	4,376
Net book value	
As at December 31, 2017	21,601
As at September 30, 2018	23,550

Depreciation expense for the nine months ended September 30, 2018 and 2017 of \$3,631 and \$nil is included in cost of goods sold.

6. MEMBERS' CONTRIBUTION

During the nine months ended September 30, 2018 and the period ended December 31, 2017, the members of the Company contributed in cash amounting to \$nil and \$58,135, respectively.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the financial statements, related party transactions and balances are as follows:

During the nine months ended September 30, 2018, sales of \$76,817 (Period ended September 30, 2017: \$5,181) made to a related corporation is included in revenue and purchase of \$47,960 (Period ended September 30, 2017: \$100) from a related corporation is included in cost of goods sold.

Accounts receivable as at September 30, 2018 and December 31, 2017 include \$36,010 and \$nil, respectively, representing amount due from a related corporation.

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8. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its Members' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements. As at September 30, 2018 and December 31, 2017, the capital of the Company was \$672,894 and \$289,885, respectively.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the Members of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

9. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Three Months Ended September 30, 2018 \$	Three Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2018 \$	Period Ended September 30, 2017 \$
Salaries and benefits	180,455	68,969	495,269	104,840
Taxes and Licenses	30,535	5,862	77,387	7,070
Travel	17,049	9,150	32,201	18,545
Meals	2,526	3,080	7,353	4,351
Office expenses	1,466	1,997	3,546	3,061
Professional and consulting fees	11,213	1,024	66,188	1,336
Others	837	130	8,230	505
	244,081	90,212	690,174	139,708

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10. LICENSOR PROFIT SHARE

Effective March 31, 2017, the Company entered into a Licensing Agreement (the “Agreement”) with a Third Party (“Licensor”) for use of Licensor’s medical (and subsequent adult use recreational) marijuana production establishment and equipment, in order to produce wholesale and certain retail marijuana edible and infused products for a period of 5 years to be renewed annually by mutual agreement.

Pursuant to the terms of the Agreement, 50% of profits or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) generated by sales, shall be paid as License Fee, along with any taxes and fees paid by the Licensor. On December 31, 2017, the Agreement was amended by signing a Subsequent license fee agreement memo (the “Memo”). In accordance with the Memo, license fee payable by the Company would work as a credit netted against any amounts owed by Licensor for product purchases less any amounts owed by the Company for reimbursement of taxes and utilities to the Licensor.

On September 18, 2018, the Company entered into a Supply Agreement with the Licensor, which is contingent upon cancellation of the license fee Agreement. Pursuant to this Supply Agreement, the Company agreed to offer a 20% discount on its lowest retail price to the Licensor for a period of 5 years.

11. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

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12. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, advance to a related corporation, trade payables and accrued liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

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12. FINANCIAL RISK FACTORS (Continued)

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values			Fair values	
	FVTPL	FVTOCI	AC	Total	Total
September 30, 2018	\$	\$	\$	\$	\$
Cash	235,903	-	-	235,903	235,903
Accounts receivable	-	-	192,155	192,155	192,155
	235,903	-	192,155	428,058	428,058
December 31, 2017					
Cash	146,817	-	-	146,817	146,817
Accounts receivable	-	-	81,483	81,483	81,483
	146,817	-	81,483	228,300	228,300
Financial liabilities	Carrying values			Fair values	
	FVTPL		AC	Total	Total
September 30, 2018		\$	\$	\$	\$
Trade payables	-		54,304	54,304	54,304
Accrued liabilities	-		96,972	96,972	96,972
Advance from a member	-		1,402	1,402	1,402
	-		152,678	152,678	152,678
December 31, 2017		\$	\$	\$	\$
Trade payables	-		26,751	26,751	26,751
Accrued liabilities	-		94,330	94,330	94,330
Advance from a member	-		-	-	-
	-		121,081	121,081	121,081

The Company's financial instruments as at September 30, 2018 and December 31, 2017 classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit and liquidity risks. The Company's management oversees the management of these risks. The Company's management is supported by the Members that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

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12. FINANCIAL RISK FACTORS (Continued)

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The cash consist mainly of short-term money market deposits. As at September 30, 2018, the maximum amount exposed to credit risks was \$428,058 (Period ended December 31, 2017: \$228,300).

During the nine months ended September 30, 2018, revenue from two customers were approximately 41% (2017: 34%) of total revenue and purchases of raw materials from one supplier was approximately 15% (2017: 41%) of total purchase.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year.

13. SEGMENTED INFORMATION

Operating and Geographical Segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At September 30, 2018 and December 31, 2017, the Company's operations comprise a single reporting operating and geographical segment engaged in the manufacture and distribution of cannabis infused products.

14. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 27, 2018, the date the financial statements were issued, and determined the following event:

On October 17, 2018, the Company entered into a definitive agreement to be acquired by Cannabis Strategies Acquisition Corp. ("CSAC"), a special purpose acquisition corporation listed in Canada (the "Transaction"). The Transaction is one of several concurrent acquisitions which, pending regulatory approval on licensing and structure, are intended to constitute CSAC's qualifying transaction (the "Qualifying Transaction").

APPENDIX R – MANAGEMENT’S DISCUSSION & ANALYSIS OF CANNAPUNCH

Management's Discussion and Analysis – CannaPunch of Nevada, LLC

Overview

CannaPunch of Nevada, LLC (“**CannaPunch**”) is a manufacturer and distributor of branded cannabis consumer goods in Nevada.

Major Business Lines and Geographies

CannaPunch views its financial results under the manufacturing business line. CannaPunch generates all of its revenue in the State of Nevada.

Manufacturing

CannaPunch manufactures a variety of cannabis-infused products.

CannaPunch generates revenue by selling its products to dispensaries in Nevada.

Geographic Areas

All of CannaPunch's revenue is derived from the Nevada cannabis market.

Market Update and CannaPunch's Objectives

CannaPunch is a premiere manufacturer of cannabis-infused products. CannaPunch products are widely available in Nevada, with 65 dispensaries in Nevada carrying its products. CannaPunch's objectives have been to grow its business by expanding its manufacturing footprint and offering additional products. Given the strong growth in the Nevada cannabis market, management believes that expanding CannaPunch's manufacturing operations is particularly attractive.

Annual Results of Operations

(\$ in millions)

	<u>The period ended December 31, 2017</u>
Revenue	2.7
Cost of Goods Sold	1.3
Gross Profits	1.3
General and Administrative Expenses	0.3
Sales and Marketing Expense	0.1
(Loss) income from operations	0.6
Net (loss) income	0.6
Total Assets	0.4
Current Liabilities	0.1
Total Liabilities	0.3
Total Net Assets	1.3

Revenue

2017

For the period ended December 31, 2017, revenue was \$2.7 million.

Cost of Goods Sold

2017

For the period ended December 31, 2017, cost of goods sold was \$1.3 million.

General and Administrative Expenses
2017

For the period ended December 31, 2017, general and administrative expenses were \$0.3 million.

Sales and Marketing Expenses
2017

For the period ended December 31, 2017, sales and marketing expenses were \$0.1 million.

Quarterly Results of Operations

(\$ in millions)	3 months ended September 30,		the period ended September 30,	
	2018	2017	2018	2017
Revenue	1.7	0.9	4.8	1.4
Cost of Goods Sold	0.7	0.5	2.1	0.7
Gross Profits	1.1	0.4	2.7	0.7
General and Administrative Expenses	0.2	0.1	0.7	0.1
Sales and Marketing Expense	0.0	0.0	0.1	0.0
Income (loss) from operations	0.3	0.2	1.2	0.2
Net income (loss)	0.3	0.2	1.2	0.2

Revenue

For the three months ended September 30, 2018, revenue was \$1.7 million, which represents an increase of \$0.8 million or 88.9% from the prior year amount of \$0.9 million. This change was driven by demand growth in key product areas and broader distribution.

For the nine months ended September 30, 2018, revenue was \$4.8 million, which represents an increase of \$3.4 million or 242.9% from the prior year amount of \$1.4 million. This change was driven by demand growth in key product areas, broader distribution, and results from a full reporting period in 2018 vs. 2017.

Cost of Goods Sold

For the three months ended September 30, 2018, cost of goods sold was \$0.7 million, which represents an increase of \$0.2 million or 40.0% from the prior year amount of \$0.5 million. This change was driven by demand growth in key product areas and broader distribution.

For the nine months ended September 30, 2018, cost of goods sold was \$2.1 million, which represents an increase of \$1.4 million or 200.0% from the prior year amount of \$0.7 million. This change was driven by demand growth in key product areas, broader distribution, and results from a full reporting period in 2018 as opposed to a partial reporting period in 2017.

General and Administrative Expenses

For the three months ended September 30, 2018, general and administrative expenses were \$0.2 million, which represents an increase of \$0.1 million or 100.0% from the prior year amount of \$0.1 million. This change was driven by demand growth in key product areas and broader distribution.

For the nine months ended September 30, 2018, general and administrative expenses were \$0.7 million, which represents an increase of \$0.6 million or 600.0% from the prior year amount of \$0.1 million. This change was driven by demand growth in key product areas, broader distribution, and results from a full reporting period in 2018 as opposed to a partial reporting period in 2017.

Sales and Marketing Expenses

For the three months ended September 30, 2018, sales and marketing expenses were \$0.0 million, which represents an increase of \$0.0 million from the prior year amount of \$0.0 million. CannaPunch did not dedicate material resources to sales and marketing operations in 2017 or 2018.

For the nine months ended September 30, 2018, sales and marketing expenses were \$0.1 million, which represents an increase of \$0.1 million from the prior year amount of \$0.0 million. CannaPunch did not dedicate material resources to sales and marketing operations in 2017 or 2018.

Liquidity and Capital Resources

Overview

Historically, CannaPunch's primary source of liquidity has been cash generated by its operations. CannaPunch expects to continue to generate positive cash flow and intends to continue to rely on this cash flow as its principal source of liquidity.

Financial Condition

Cash Flows

The following table summarizes CannaPunch's consolidated statement of cash flows from continuing operations:

<i>(\$ in millions)</i>	The period ended September 30,		The period ended December 31, 2017
	2018	2017	
Cash provided by (used in)			
Operating activities	0.9	0.4	0.5
Investing activities	(0.0)	--	(0.0)
Financing activities	(0.8)	(0.2)	(0.3)
Net Change in Cash	0.1	0.2	0.1
Cash Balance, Beginning	0.1	--	--
Cash Balance, Ending	0.2	0.2	0.1

Cash Flow Provided by Operating Activities

Cash flow from operating activities increased by \$0.5 million for the nine month period ended September 30, 2018 compared to the period ended September 30, 2017. This increase was primarily driven by the increase in sales and was partially offset by shifting working capital needs related to the increase in sales.

Cash flow from operating activities in 2017 is \$0.5 million.

Cash Flow Provided by (Used in) Investing Activities

Cash flow from investing activities changed by \$(0.0) million for the nine month period ended September 30, 2018 compared to the period ended September 30, 2017.

Cash flow from investing activities in 2017 is \$0.0 million.

Cash Flow Provided by (Used in) Financing Activities

Cash flow from financing activities changed by \$(0.6) million for the nine month period ended September 30, 2018 compared to the period ended September 30, 2017. This decrease was due to an increase in distributions.

Cash flow from financing activities in 2017 is \$(0.3) million.

As previously noted, CannaPunch's primary capital resource is cash flow generated from operations. CannaPunch does not have any other committed sources of financing or significant capital expenditure commitments.

Transactions with Related Parties

During the nine months ended September 30, 2018, sales of \$76,817 made to a related party is included in revenue and purchases of \$47,960 from a related party is included in cost of goods sold.

Accounts receivable at September 30, 2018 includes \$36,010 due from a related party.

An advance from a member of \$1,402, outstanding as at September 30, 2018 is unsecured, interest free and is repayable on demand.

Critical Accounting Estimates

Critical Accounting Judgments and Estimates

The application of CannaPunch's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made and are based on a variety of factors including historical experience, general economic conditions and assumptions regarding probable future outcomes. These estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from these estimates.

The following areas require management's critical estimates and judgments:

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation and depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Changes in Accounting Policies Including Adoption

Changes in Accounting Policies

There were no significant changes in accounting policies the nine months ended September 30, 2018. CannaPunch's significant accounting policies are described in notes entitled "Summary of Significant Accounting Policies" to CannaPunch's audited and unaudited consolidated financial statements.

Accounting Standards Issued but not yet Effective

The following new standards and interpretations have been adopted by CannaPunch and are described in the notes entitled "Changes in Accounting Standards" to CannaPunch's audited and unaudited consolidated financial statements:

- IFRS 9 - Financial Instruments adopted effective from January 1, 2018; the adoption did not result in any material change

• IFRS 15 - Revenue from Contracts with Customers adopted effective from January 1, 2018; the adoption did not result in any material change

Financial Instruments and Other Instruments

Fair Value of Financial Instruments

CannaPunch's financial instruments consist of cash, accounts receivable, trade payables, accrued liabilities, and advance(s) from a member.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly
- Level 3 – inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data

As of September 30, 2018 cash was classified as Level 1. For other financial assets and financial liabilities, the carrying amount is considered a reasonable approximation of fair value.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject CannaPunch to concentrations of credit risk consist of cash and accounts receivable. The cash consist mainly of short-term money market deposits. As at September 30, 2018 and December 31, 2017 the maximum amount exposed to credit risks was \$428,058 and \$228,300, respectively.

During the nine months ended September 30, 2018, revenue from two customers were approximately 41% of total revenue and purchases of raw materials from one supplier was approximately 15% of total purchases.

Liquidity Risk

Liquidity risk is the risk that CannaPunch is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. CannaPunch's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. CannaPunch manages liquidity risk through obtaining financing from its members and third parties. As at September 30, 2018, all trade payables and accrued liabilities are due within a year, whereas, long term debts over a period of five years.

APPENDIX S – CHARTER OF THE AUDIT COMMITTEE OF CSAC

PURPOSE

The audit committee (the “**Audit Committee**”) is a committee of the board of directors (the “**Board**”) of Cannabis Strategies Acquisition Corp. (“**CSAC**”). The primary function of the Audit Committee is to assist the directors of CSAC in fulfilling their applicable roles by:

- a) *recommending to the Board the appointment and compensation of CSAC’s external auditor;*
- b) *overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;*
- c) *pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to CSAC by CSAC’s external auditor;*
- d) *satisfying themselves that adequate procedures are in place for the review of CSAC’s public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;*
- e) *establishing procedures for the receipt, retention and treatment of complaints received by CSAC regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of CSAC of concerns regarding questionable accounting or auditing matters;*
- f) *reviewing and approving any proposed hiring of current or former partners or employees of the current auditor of CSAC; and*
- g) *reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis (“**MD&A**”) and other financial information provided by CSAC to any governmental body or the public.*

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with United States generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or CSAC’s internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

LIMITATIONS ON AUDIT COMMITTEE’S DUTIES

In contributing to the Audit Committee’s discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to CSAC by the external auditor, (iv) financial statements of CSAC represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of CSAC in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) of the

Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. Each member must be “**financially literate**” within the meaning of NI 52-110 or must become financially literate within a reasonable period of time following his or her appointment. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by CSAC or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the “**Chair**”) is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which CSAC’s securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of CSAC with senior employees, officers and the external auditor of CSAC, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with CSAC’s interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours’ notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive

Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to CSAC’s articles from time to time.

ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee’s role), the Audit Committee should:

- (1) Determine any desired agenda items;
- (2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;
- (3) Review the public disclosure regarding the Audit Committee required by NI 52-110;

- (4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;
- (5) Summarize in CSAC's annual information form the Audit Committee's composition and activities, as required; and
- (6) Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

- (7) Review and recommend to the Board for approval CSAC's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of CSAC provided to the public or any governmental body as the Audit Committee or the Board require.
- (8) Review other financial information provided to any governmental body or the public as they see fit.
- (9) Review, recommend and approve any of CSAC's press releases that contain financial information.
- (10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of CSAC's public disclosure of financial information extracted or derived from CSAC's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

- (11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review and recommend the fees and other compensation to be paid to the external auditor. The Audit Committee shall have the ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.
- (12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of CSAC's financial condition, financial performance and cash flow.
- (13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.
- (14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- (15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with CSAC to determine the external auditor's independence.
- (16) Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.
- (17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

- (20) Review and approve any proposed hiring by CSAC of current or former partners or employees of the current (and any former) external auditor of CSAC.

Audit Process

- (21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

- (25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.
- (26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of CSAC's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (28) Review with management and the external auditor CSAC's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.
- (29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.
- (30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.
- (31) Periodically consider the need for an internal audit function, if not present.

Risk Management

- (32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

- (33) The Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of CSAC) the compensation for any such advisors.
- (34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.
- (35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.
- (36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:
 - (a) the Charter of the Audit Committee;
 - (b) the composition of the Audit Committee;
 - (c) the relevant education and experience of each member of the Audit Committee;
 - (d) the external auditor services and fees; and
 - (e) such other matters as CSAC is required to disclose concerning the Audit Committee.
- (37) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under NI 52-110.

AUDIT COMMITTEE COMPLAINT PROCEDURES

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by CSAC regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of CSAC of concerns regarding questionable accounting or auditing matters.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of CSAC's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to CSAC securityholders or other liability whatsoever.

APPENDIX T – CSAC UNAUDITED PRO FORMA FINANCIAL STATEMENTS

CANNABIS STRATEGIES ACQUISITION CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2018

(EXPRESSED IN UNITED STATES DOLLARS)

Cannabis Strategies Acquisition Corp.

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Cannabis Strategies Acquisition Corp.
Unaudited Pro Forma Consolidated Statement of Financial Position
As at September 30, 2018

US\$	CSAC	Sira	Canopy	Washoe	LivFree	CannaPunch	Subtotal	Notes	Acquisition	Notes	Pro-Forma	Total
	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,					Adjustments	September 30,
	2018	2018	2018	2018	2018	2018						2018
	\$	\$	\$	\$	\$	\$	\$		\$		\$	\$
ASSETS												
Current												
Cash	543,251	1,924,581	168,370	487,749	1,591,393	235,903	4,951,247	8a,e,f	29,895,553	8h	(3,643,303)	31,203,497
Accounts receivable, trade, no allowance	-	-	-	135,011	-	192,155	327,166	-	-	6a	(55,584)	271,582
Deposit	231,750	-	-	-	-	-	231,750	-	-	-	-	231,750
Inventory	-	6,817,695	1,721,467	2,082,286	1,798,799	372,754	12,793,001	8i	17,848,647	-	-	30,641,648
Biological assets	-	3,415,120	-	1,689,684	-	-	5,104,804	8i	39,147	-	-	5,143,951
Prepaid expenses and other assets	3,380	135,593	125,012	376,260	259,147	1,210	900,602	8i	(14,224)	6a	(57,974)	828,404
Advance to a related corporation	-	-	-	-	250,000	-	250,000	8i	(250,000)	-	-	-
	778,380	12,292,989	2,014,849	4,770,990	3,899,339	802,022	24,558,569	-	47,519,123	-	(3,756,861)	68,320,831
Restricted cash and short-term investments held in escrow												
	104,815,553	-	-	-	-	-	104,815,553	8e	(104,815,553)	-	-	-
Intangible assets	-	-	1,623,114	77,894	-	-	1,701,008	8b	57,819,886	-	-	59,520,894
Property, plant and equipment	-	7,745,930	1,178,712	8,135,638	1,630,195	23,550	18,714,025	8i	1,279,357	-	-	19,993,382
Goodwill	-	-	-	-	-	-	-	8c	143,276,864	-	-	143,276,864
Investment in associate	-	-	-	1,634,809	3,899,934	-	5,534,743	8i	(1,040,233)	-	-	4,494,510
Deferred tax assets	-	458,111	-	-	-	-	458,111	-	-	-	-	458,111
Other long term assets	-	480,401	-	-	-	-	480,401	-	-	-	-	480,401
Total assets	105,593,933	20,977,431	4,816,675	14,619,331	9,429,468	825,572	156,262,410		144,039,444		(3,756,861)	296,544,993
LIABILITIES												
Current												
Trade payables	554,877	1,094,432	356,095	1,124,836	316,652	54,304	3,501,196	-	-	6a	(55,584)	3,445,612
Accrued liabilities	-	1,132,615	252,795	133,642	611,396	96,972	2,227,420	-	-	-	-	2,227,420
Advance from a related corporation	597,742	-	57,974	-	-	-	655,716	-	-	6a	(57,974)	597,742
Income tax payable	-	2,124,970	-	-	-	-	2,124,970	-	-	-	-	2,124,970
Distributions payable	-	-	-	-	-	-	-	-	-	-	-	-
Debts/notes payable - current portion	-	6,832	-	28,394	240,000	-	275,226	-	-	-	-	275,226
Advance from a member	-	-	-	-	-	1,402	1,402	-	-	-	-	1,402
	1,152,619	4,358,849	666,864	1,286,872	1,168,048	152,678	8,785,930	-	-	-	(113,558)	8,672,372
Deferred underwriters' commission	3,643,303	-	-	-	-	-	3,643,303	-	-	8h	(3,643,303)	-
Class A restricted voting shares subject to redemption	122,831,363	-	-	-	-	-	122,831,363	-	-	8g	(122,831,363)	-
Warrant liability	12,637,372	-	-	-	-	-	12,637,372	-	-	-	-	12,637,372
Accrued interest payable	-	6,577,265	-	-	-	-	6,577,265	-	-	-	-	6,577,265
Debts payable - Non-current portion	-	14,967,581	-	9,209,764	40,000	-	24,217,345	8a	37,140,000	-	-	61,357,345
Total liabilities	140,264,657	25,903,695	666,864	10,496,636	1,208,048	152,678	178,692,578		37,140,000		(126,588,224)	89,244,355
Members' equity	-	(4,926,264)	4,149,811	4,122,695	8,221,420	672,894	12,240,556	8d	(12,240,556)	-	-	-
Share capital	1,767,186	-	-	-	-	-	1,767,186	8a	125,140,000	8g	122,831,363	249,738,549
Accumulated deficit	(36,437,910)	-	-	-	-	-	(36,437,910)	8f	(6,000,000)	-	-	(42,437,910)
Contributed surplus	-	-	-	-	-	-	-	-	-	-	-	-
	(34,670,724)	(4,926,264)	4,149,811	4,122,695	8,221,420	672,894	(22,430,168)	-	106,899,444	-	122,831,363	207,300,639
Total liabilities and members' equity	105,593,933	20,977,431	4,816,675	14,619,331	9,429,468	825,572	156,262,410		144,039,444		(3,756,861)	296,544,993

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

Cannabis Strategies Acquisition Corp.
Unaudited Pro Forma Consolidated Statements of Operations
For the Year Ended September 30, 2018

US\$	CSAC	Sira	Canopy	Washoe	LivFree	CannaPunch	Subtotal	Notes	Pro-Forma	Consolidated
	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,			Adjustments	September 30,
	2018	2018	2018	2018	2018	2018				2018
	\$	\$	\$	\$	\$	\$	\$		\$	\$
Revenues, net of discounts	-	15,004,527	11,280,896	6,714,613	30,166,236	6,096,442	69,262,714	6b	(4,250,298)	65,012,416
Cost of goods sold before biological asset adjustment	-	6,471,072	5,385,963	2,303,543	18,954,288	2,760,447	35,875,313	6b	(4,250,298)	31,625,015
	-	8,533,455	5,894,933	4,411,070	11,211,948	3,335,995	33,387,401		-	33,387,401
Fair value changes in biological assets included in cost of sales	-	(15,580,713)	-	(991,590)	-	-	(16,572,303)			(16,572,303)
Unrealized gain on biological asset transformation	-	11,137,058	-	1,491,432	-	-	12,628,490			12,628,490
Gross profit (loss)	-	4,089,800	5,894,933	4,910,912	11,211,948	3,335,995	29,443,588		-	37,331,214
Expenses										
Transaction costs	7,115,646	-	-	-	-	-	7,115,646	6c	6,000,000	13,115,646
General and administrative	916,469	4,930,887	1,710,598	807,216	3,547,112	828,448	12,740,730			12,740,730
Sales and marketing	-	420,523	292,417	192,757	426,889	88,051	1,420,637			1,420,637
Depreciation	-	125,807	32,769	494,991	179,442	-	833,009			833,009
Licensors profit share	-	-	-	-	-	898,878	898,878			898,878
Management fee	-	211,815	426,848	160,000	-	-	798,663	6b	(185,000)	613,663
Net unrealized loss on changes in the fair value of financial liabilities	29,454,070	-	-	-	-	-	29,454,070			29,454,070
Total expenses	37,486,185	5,689,032	2,462,632	1,654,964	4,153,443	1,815,377	53,261,633		5,815,000	59,076,633
Net income (loss) from operations	(37,486,185)	(1,599,232)	3,432,301	3,255,948	7,058,505	1,520,618	(23,818,045)		(5,815,000)	(21,745,419)
Other (income) expense										
Share of (income) loss on equity investments	-	-	-	(1,865,621)	(1,441,246)	-	(3,306,867)			(3,306,867)
Interest expense	-	2,715,005	-	473,337	-	-	3,188,342			3,188,342
Interest income	727,526	-	-	(23,067)	-	-	704,459			704,459
Management fee income	-	-	-	(185,000)	-	-	(185,000)	6b	185,000	-
Rental income and others	-	(79,319)	-	(90,240)	4,043	-	(165,516)			(165,516)
Total other (income) expense	727,526	2,635,686	-	(1,690,591)	(1,437,203)	-	235,418		185,000	420,418
Income tax (recovery) expense	-	2,254,708	-	-	-	-	2,254,708			2,254,708
Net income (loss) and comprehensive income (loss)	(38,213,711)	(6,489,626)	3,432,301	4,946,539	8,495,708	1,520,618	(26,308,171)		(6,000,000)	(24,420,545)
Loss per share - basic and diluted								9		(0.99)
Weighted average number of shares outstanding								9		24,786,191

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

Cannabis Strategies Acquisition Corp.
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at September 30, 2018 (expressed in US\$)

1) Description of Transactions

On October 17, 2018, Cannabis Strategies Acquisition Corp. (“CSAC” or the “Corporation”) and its wholly-owned subsidiary, CSAC Acquisition Inc. (“CSAC AcquisitionCo”), entered into the following Definitive Agreements to acquire five (5) businesses (the “Target Businesses”):

- Equity Exchange Agreement dated as of October 17, 2018, among Green Partners Investor LLC and Green Partners Sponsor I, LLC as the shareholders of Sira, Louis Karger as sellers’ representative, Sira, CSAC AcquisitionCo and CSAC (the “Sira Agreement”);
- Asset Purchase Agreement dated as of October 17, 2018, among Canopy, Lemon Aide, LLC, Kynd-Strainz, LLC, CSAC AcquisitionCo and CSAC (the “Canopy Agreement”);
- Equity Purchase Agreement dated as of October 17, 2018, among the members of Washoe, Mark E. Pitchford as sellers’ representative, Washoe, CSAC AcquisitionCo and CSAC (the “Washoe Agreement”);
- Equity Purchase Agreement, dated as of October 17, 2018, among the members of LivFree, Steve Menzies as sellers’ representative, LivFree, CSAC AcquisitionCo and CSAC (the “LivFree Agreement”); and
- Equity Purchase Agreement dated as of October 17, 2018, among Mark Smith and Daniel Griffin as the members of Cannapunch, Cannapunch, Mark Smith as sellers’ representative, CSAC AcquisitionCo and CSAC (the “Cannapunch Agreement”, and together with the Sira Agreement, the Canopy Agreement, the Washoe Agreement and the LivFree Agreement, the “Definitive Agreements”).

The description of the Definitive Agreements, both below and elsewhere in this prospectus, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on CSAC’s profile on SEDAR at www.sedar.com.

Acquisition of Sira

Pursuant to the Sira Agreement, the shareholders of Sira agreed to contribute all of the issued and outstanding securities of Sira to CSAC AcquisitionCo in exchange for (i) a note in the amount of \$5,000,000 (the “Sira Promissory Note”) to a lender of Sira that will be secured by a first-priority security interest over all of the assets of Sira, (ii) the issuance of an aggregate of 1,885,606 shares of Class B Common Stock of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into CSAC Class B Shares (such shares of CSAC AcquisitionCo, the “Exchangeable Shares”) with a deemed value of \$15.91, some of which are being issued to the lenders of Sira to satisfy existing indebtedness of Sira, and (iii) a cash payment of \$15,000,000 to pay existing indebtedness of Sira. 50% of the Exchangeable Shares issuable under the Sira Agreement will be subject to a six-month post-closing lock-up period and the other 50% of such Exchangeable Shares will be subject to a twelve-month post-closing lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. Additionally, CSAC AcquisitionCo will pay by wire transfer to the sellers, such seller’s pro rata share of the fair market value of Sira’s inventory above a target level set at \$800,000 (the “Inventory Payment”), pursuant to a formula to be agreed to between Sira and CSAC AcquisitionCo prior to the closing. One-third of this Inventory Payment will be paid by CSAC AcquisitionCo following the closing date of the Transaction and the remaining two-thirds within 90 days following the closing. The Sira Agreement also contains an earn-out provision that may entitle the sellers

Cannabis Strategies Acquisition Corp.
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at September 30, 2018 (expressed in US\$)

to earn additional consideration, if certain Adjusted EBITDA (as defined in the Sira Agreement) milestones are achieved at Sira's planned cultivation facility in Milford, MA over its first full year of operation. Such facility may not be financed with third-party debt that exceeds 50% of the cost of construction and a first priority mortgage (which would be subordinated to any third-party construction lender) on such facility will provide further security for the Sira Promissory Note. CSAC may set off indemnification claims against any payments to be made by it under the earn-out provision and/or the Sira Promissory Note, except the total amount set off against earn-out payments and the Sira Promissory Note may not exceed \$5,000,000 in the aggregate.

Acquisition of Canopy

Pursuant to the Canopy Agreement: (i) Canopy agreed to contribute all of the assets of its two operating companies, Lemon Aide, LLC and Kynd-Strainz, LLC (together, the "Canopy Target Businesses"), except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the "Canopy Consents"), to a "NewCo" entity (the "Canopy NewCo") (the "Canopy Reorganization"); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of Canopy NewCo in exchange for (A) a promissory note in the amount of \$4,500,000 (the "Canopy Promissory Note") to Canopy that will be secured by a first-priority security interest over all of the assets of Canopy NewCo, (B) the issuance to Canopy of an aggregate of 250,000 Exchangeable Shares with a deemed value of \$5,500,000 and (C) cash consideration in the amount of \$7,000,000, some of which will be used to pay debt and expenses of Canopy, as well as applicable taxes; (iii) CSAC AcquisitionCo agreed to assume a loan in the amount of approximately \$400,000; and (iv) Canopy agreed to take all reasonable measures in good faith to secure the Canopy Consents and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in the Canopy Target Businesses or the retained assets to CSAC AcquisitionCo for nominal consideration. 102,273 Exchangeable Shares issuable under the Canopy Agreement will be subject to a six-month post-closing lock-up period, a further 102,273 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period and 45,454 Exchangeable Shares will not be subject to any lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the Canopy Reorganization except for certain obligations with respect to obtaining necessary regulatory approval.

Additionally, CSAC agreed to issue additional Exchangeable Shares up to a year following the closing date in certain circumstances, subject to certain limitations. More specifically, if the trailing 3-day volume-weighted average trading price of the CSAC Class B Shares (the "Closing Price") is less than C\$29.00 on: (i) the closing date of the Canopy acquisition, a number of additional Exchangeable Shares may be issued to Canopy so that the cumulative market value of the Exchangeable Shares issued to Canopy on the closing date with no lock-up period is equal to \$999,998; (ii) the date that is 180 days after the closing date of the Canopy acquisition, a number of additional Exchangeable Shares may be issued to Canopy so that the cumulative market value of the Exchangeable Shares issued to Canopy with a 6-month lock-up period is equal to \$2,250,006; or (iii) the date that is 360 days after the closing date of the Canopy acquisition, a number of additional Exchangeable Shares may be issued to Canopy so that the cumulative market value of the Exchangeable Shares issued to Canopy with a 12-month lock-up period is equal to \$2,250,006. Under no circumstances may the total number of additional Exchangeable Shares to be issued under this make-whole provision exceed 10% of the total number of issued and outstanding Class B shares of CSAC as of the closing date of the Transaction.

Acquisition of Washoe

Pursuant to the Washoe Agreement: (i) Washoe and the members of Washoe agreed to contribute all of the assets of Washoe and its subsidiaries (including certain parcels of real property owned by Washoe or a subsidiary), except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the “Washoe Consents”), to a “NewCo” entity (the “Washoe NewCo”) (the “Washoe Reorganization”); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of the Washoe NewCo in exchange for (A) a promissory note in the amount of \$5,640,000 (the “Washoe Promissory Note”) to the members of Washoe that will be secured by a first-priority security interest over all of the assets of Washoe NewCo, (B) the issuance to the members of Washoe of an aggregate of 256,364 Exchangeable Shares with a deemed value of \$5,640,000 and (C) cash consideration in the amount of \$16,670,000, some of which will be used to pay debt and expenses of Washoe, as well as applicable taxes; (iii) Washoe and its members agreed to take all reasonable measures in good faith to secure the Washoe Consents, and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in Washoe or the retained assets to CSAC AcquisitionCo for nominal consideration; (iv) CSAC AcquisitionCo agreed to assume a member loan in the amount of approximately \$6.5 million and issue 13,636 Exchangeable Shares in the name of such member (the “Washoe Lender”); and (v) CSAC AcquisitionCo agreed to assume mortgage debt of approximately \$2.6 million in the aggregate, secured by real property owned by Washoe or its subsidiaries. 128,182 Exchangeable Shares issuable under the Washoe Agreement will be subject to a six-month post-closing lock-up period, and the other 128,182 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period.

Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the Washoe Reorganization except for certain obligations with respect to obtaining necessary regulatory approval.

Additionally, CSAC agreed to issue additional Exchangeable Shares up to a year following the closing date in certain circumstances, subject to certain limitations. More specifically, if the Closing Price is less than C\$29.00 on: (i) the date that is 180 days after the closing date of the Washoe acquisition, a number of additional Exchangeable Shares may be issued to the sellers of Washoe so that the cumulative market value of the Exchangeable Shares issued to such persons with a 6-month lock-up period is equal to \$2,820,000 and a number of additional Exchangeable Shares may be issued to the Washoe Lender so that the cumulative market value of the Exchangeable Shares issued to the Washoe Lender with a 6-month lock-up period is equal to \$150,000 or (ii) the date that is 360 days after the closing date of the Washoe acquisition, a number of additional Exchangeable Shares may be issued to the sellers of Washoe so that the cumulative market value of the Exchangeable Shares issued to such persons with a 12-month lock-up period is equal to \$2,820,006 and a number of additional Exchangeable Shares may be issued to the Washoe Lender so that the cumulative market value of the Exchangeable Shares issued to the Washoe Lender with a 12-month lock-up period is equal to \$150,000. Under no circumstances may the total number of additional Exchangeable Shares to be issued under this make-whole provision exceed 10% of the total number of issued and outstanding Class B shares of CSAC as of closing date of the Transaction. On closing, Canopy will grant to CSAC or its affiliates a five-year option to purchase the real property owned by affiliates of Canopy and used in the business of the Canopy Target Businesses at fair market value.

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Acquisition of LivFree

Pursuant to the LivFree Agreement: (i) LivFree and the members of LivFree agreed to contribute all of the assets of LivFree and its subsidiaries, except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the “LivFree Consents”), to a “NewCo” entity (“LivFree NewCo”) (the “LivFree Reorganization”); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of LivFree NewCo in exchange for (A) a promissory note in the amount of \$20,000,000 (the “LivFree Promissory Note”) to the members of LivFree that will be secured by a first-priority security interest over all of the assets of LivFree NewCo, (B) the issuance to the members of LivFree of an aggregate of 4,342,432 Exchangeable Shares with a deemed value of \$70,000,000 (approximately \$16.10 per Exchangeable Share) and (C) cash consideration in the amount of \$29,500,000, some of which will be used to pay debt and expenses of LivFree, as well as applicable taxes; and (iv) LivFree and its members agreed to take all reasonable measures in good faith to secure the LivFree Consents, and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in LivFree or the retained assets to CSAC AcquisitionCo for nominal consideration. 3,038,986 Exchangeable Shares issuable under the LivFree Agreement will be subject to a six-month post-closing lock-up period, and the other 1,303,446 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the LivFree Reorganization except for certain obligations with respect to obtaining necessary regulatory approval. On closing, LivFree will grant to CSAC or its affiliates a five-year option to purchase the real property owned by affiliates of LivFree and used in the business of LivFree at fair market value. On closing, Washoe will grant to CSAC or its affiliates a five-year option to purchase the real property owned by affiliates of Washoe and used in the business of Washoe at fair market value.

Acquisition of CannaPunch

Pursuant to the Cannapunch Agreement: (i) Cannapunch and the members of Cannapunch agreed to contribute all of the assets of Cannapunch and its subsidiaries, except for certain retained licenses and associated inventory, the transfer of which is subject to consent from regulatory authorities (the “Cannapunch Consents”), to a “NewCo” entity (“Cannapunch NewCo”) (the “Cannapunch Reorganization”); (ii) CSAC AcquisitionCo agreed to acquire all of the equity interests of Cannapunch NewCo in exchange for (A) a promissory note in the amount of \$2,000,000 (the “Cannapunch Promissory Note”) to the members of Cannapunch that will be secured by a first-priority security interest over all of the assets of Cannapunch NewCo, (B) the issuance to the members of Cannapunch of an aggregate of 866,668 Exchangeable Shares with a deemed value of \$14,000,000 and (C) cash consideration in the amount of \$750,000, some of which will be used to pay debt and expenses of Cannapunch, as well as applicable taxes; and (iii) Cannapunch and its members agreed to take all reasonable measures in good faith to secure the Cannapunch Consents and once obtained, agreed to convey these retained assets to CSAC via the transfer of the equity interests in Cannapunch or the retained assets to CSAC AcquisitionCo for nominal consideration. 433,334 Exchangeable Shares issuable under the Cannapunch Agreement will be subject to a six-month post-closing lock-up period, and the other 433,334 Exchangeable Shares will be subject to a twelve-month post-closing lock-up period. Exchange of the Exchangeable Shares for CSAC Class B Shares is also subject to applicable restrictions under applicable U.S. securities laws. The sellers have no obligation to indemnify for losses incurred by CSAC as a result of the Cannapunch Reorganization except for certain obligations with respect to obtaining necessary regulatory approval. On closing, Cannapunch will grant to CSAC or its affiliates (i) a five-year option to purchase the real property owned by affiliates of Cannapunch and used in the business of Cannapunch at

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fair market value and (ii) a license to use the Cannapunch name in all jurisdictions other than in the State of Colorado.

Excessive Shareholder Redemptions of CSAC Class A Restricted Voting Shares

The sellers in each of the Definitive Agreements agree that if excessive shareholder redemptions of the CSAC Class A Restricted Voting Shares occur in connection with the above-noted acquisitions such that CSAC AcquisitionCo will not have access to sufficient funds to pay the cash portion of the purchase under any of the Definitive Agreements (and such funds cannot be adequately replaced by other financing), a portion of such cash deficiency may be replaced, on a pro rata basis among the separate acquisitions based on the relative cash portions of consideration in each transaction, by the issuance of additional CSAC AcquisitionCo Exchangeable Shares to the sellers, at an issuance price of: (i) \$15.91 per share in respect of the Sira Agreement; (ii) C\$22.00 per share in respect of the Canopy Agreement; (iii) C\$22.00 in respect of the Washoe Agreement; (iv) C\$21.00 per share in respect of the LivFree Agreement; and (v) C\$21.00 in respect of the CannaPunch Agreement. The Sira Agreement may be terminated at the option of the sellers thereto if such a replacement is made.

2) Basis of Presentation

The unaudited pro forma consolidated statement of financial position (“Pro Forma Statement of Financial Position”) as at September 30, 2018 has been prepared by CSAC to give effect to the Acquisitions, as if they had occurred on September 30, 2018. The unaudited pro forma consolidated statement of operations for the year ended September 30, 2018 have been prepared by CSAC to give effect to the Acquisitions, as if they had occurred on October 1, 2017.

CSAC financial statements have been translated per the Bank of Canada exchange rates as detailed below:

- Statement of financial position as at September 30, 2018 has been translated at period end rate of CAD/USD of 0.7725
- Statement of operations for the year ended September 30, 2018 has been translated at 12 month average rate of CAD/USD of 0.7793

The Pro Forma Financial Statements are derived from the following:

- The audited financial statements of CSAC as at and for the period from October 1, 2017 to September 30, 2018 and the related notes;
- The audited financial statements of Sira, Canopy, Washoe and LivFree for the year ended December 31, 2017 and the related notes;
- The audited financial statements of CannaPunch for the period from March 30, 2017 (inception date) to December 31, 2017 and the related notes;
- The unaudited condensed interim financial statements of Sira, Canopy, Washoe, LivFree and CannaPunch for the three and nine months period ended September 30, 2018.

The Pro Forma Consolidated Financial Statements were prepared using the acquisition method of accounting in accordance with IFRS 3, *Business Combinations*, with CSAC being the accounting and legal acquirer. It uses the fair value concepts defined in IFRS 13, *Fair Value Measurement*, and was based on the historical financial statements of CSAC, Sira, Canopy, Washoe, LivFree and CannaPunch. All

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financial data in the Pro Forma Financial Statements are presented in United States Dollars, unless stated otherwise.

Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded as of the completion of the Acquisitions at their respective fair values. Under IFRS 3, acquisition-related transaction costs (i.e., advisory, legal, valuation, other professional fees) and certain acquisition-related restructuring charges are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. Total acquisition-related transaction costs incurred by CSAC in connection with the acquisitions were approximately \$9.1 million in the year ended September 30, 2018. No amounts were incurred by Canopy, Sira, Washoe, CannaPunch, and LivFree.

The accounting for the Acquisitions is dependent upon valuations, where available, that are provisional and are subject to change. Management will finalize the acquisition accounting for the Acquisitions no later than one year from the date of the respective acquisition dates as required under IFRS 3. Accordingly, certain pro forma adjustments are preliminary and have been prepared solely for the purpose of these Pro Forma Financial Statements. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on CSAC's future financial performance. In addition, the Pro Forma Statements of Income do not reflect any cost savings, operating synergies or revenue enhancements that the consolidated businesses may achieve, the costs to integrate the operations of CSAC and the Acquisitions, or any costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

3) Accounting Policies

The accounting policies used in the preparation of these unaudited Pro Forma Consolidated Financial Statements are consistent with those described in the audited financial statements of CSAC for the year ended September 30, 2018. CSAC has conducted a review of the Acquisitions' accounting policies and has not identified any differences in accounting policies that were applied historically by these entities. Additional accounting policies related to the Target companies will be included in the CSAC consolidated financial statements after acquisition on going forward basis. For purposes of these Unaudited Pro Forma Consolidated Financial Statements, certain reclassifications have been made to the Acquisitions' historical financial statements (as described in notes 6 and 8) to conform to the classifications adopted by CSAC.

4) Preliminary Purchase Price Consideration

Each of the Acquisitions is subject to specific terms relating to satisfaction of the purchase price by CSAC and incorporates payments in cash, notes payables and shares. In addition, the purchase prices may be adjusted for consideration of acquisition date working capital. No working capital adjustments have been reflected in the Pro Forma Financial Statements. IFRS 3 requires that contingent consideration be estimated and recorded at the acquisition date with subsequent changes to estimates reflected in earnings. For purposes of the Unaudited Pro Forma Consolidated Financial Statements, all estimates of contingent consideration are preliminary and subject to change. In addition, the purchase prices may be adjusted for consideration of acquisition date working capital. No working capital adjustments have been reflected in the Pro Forma Financial Statements.

The total purchase price consideration is summarized as follows:

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	Cash	Note Payable	Share Capital	Total
	\$	\$	\$	\$
Sira	15,000,000	5,000,000	30,000,000	50,000,000
Canopy	7,000,000	4,500,000	5,500,000	17,000,000
Washoe	16,670,000	5,640,000	5,640,000	27,950,000
Livfree	29,500,000	20,000,000	70,000,000	119,500,000
Cannapunch	750,000	2,000,000	14,000,000	16,750,000
Total Consideration	68,920,000	37,140,000	125,140,000	231,200,000

Sira Acquisition

Pursuant to the terms of the Definitive Agreement, CSAC will satisfy the purchase price of \$50 million for Sira through the following:

- i. \$15.0 million of the Sira purchase price is to be paid in the form of cash consideration;
- ii. \$5.0 million of the Sira purchase price is to be paid in the form of a promissory note payable; and
- iii. \$30.0 million of the Sira purchase price is to be paid in the form of 1,885,606 exchangeable shares of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into an equal number of CSAC Class B shares.
- iv. The Sira Agreement also contains an earn-out provision that may entitle the sellers to earn additional consideration, if certain Adjusted EBITDA (as defined in the Sira Agreement) milestones are achieved at Sira’s planned cultivation facility in Milford, MA over its first full year of operation, which is expected to be 2020. See “*Description of Transactions – Acquisition of Sira.*”

Canopy acquisition

Pursuant to the terms of the Definitive Agreement, CSAC will satisfy the purchase price of \$17 million for Canopy through the following:

- i. \$7.0 million of the Canopy purchase price is to be paid in the form of cash consideration.
- ii. \$4.50 million of the Canopy purchase price is to be paid in the form of a promissory note payable; and
- iii. \$5.50 million of the Canopy purchase price is to be paid in the form of 250,000 exchangeable shares of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into an equal number of CSAC Class B shares.
- iv. Pursuant to the terms of the Canopy Agreement, CSAC will assume Canopy loans outstanding with total principal value of approximately \$400,000.

Washoe Acquisition

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Pursuant to the terms of the Definite Agreement, CSAC will satisfy the purchase price of \$27.950 million for Washoe through the following:

- i. \$16.670 million of the Washoe purchase price is to be paid in the form of cash consideration.
- ii. \$5.640 million of the Washoe purchase price is to be paid in the form of a promissory note payable; and
- iii. \$5.640 million of the Washoe purchase price is to be paid in the form of 256,364 exchangeable shares of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into an equal number of CSAC Class B shares.
- iv. Pursuant to the terms of the Washoe Agreement, CSAC will assume Washoe loans outstanding with total principal value of approximately \$9,100,000 and will issue 13,636 Exchangeable Shares to a Washoe lender.

LivFree Acquisition

Pursuant to the terms of the Definite Agreement, CSAC will satisfy the purchase price of \$119.50 million for LivFree through the following:

- i. \$29.50 million of the LivFree purchase price is to be paid in the form of cash consideration.
- ii. \$20.0 million of the LivFree purchase price is to be paid in the form of a promissory note payable; and
- iii. \$70 million of the LivFree purchase price is to be paid in the form of 4,342,432 exchangeable shares of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into an equal number of CSAC Class B shares.

CannaPunch Acquisition

Pursuant to the terms of the Definite Agreement, CSAC will satisfy the purchase price of \$16.75 million for CannaPunch through the following:

- i. \$0.750 million of the CannaPunch purchase price is to be paid in the form of cash consideration.
- ii. \$2.0 million of the CannaPunch purchase price is to be paid in the form of a promissory note payable; and
- iii. \$14.0 million of the CannaPunch purchase price is to be paid in the form of 866,668 exchangeable shares of CSAC AcquisitionCo that are exchangeable on a one-for-one basis into an equal number of CSAC Class B shares.

5) Preliminary acquisition accounting

Assuming an acquisition date of October 1, 2017, a preliminary estimate of the fair values of the assets to be acquired and the liabilities to be assumed by CSAC in connection with the proposed acquisitions is as follows:

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	Ref	Sira	Canopy	Washoe	Livfree	Cannapunch	Total
ASSETS ACQUIRED							
Cash and cash equivalents	a	1,924,581	168,370	487,749	1,591,393	235,903	4,407,996
Accounts receivable, trade, no allowance	a	-	-	135,011	-	192,156	327,167
Inventory	f	15,470,123	4,252,023	5,686,129	4,239,362	994,011	30,641,648
Biological assets	f	3,415,120	-	1,728,831	-	-	5,143,951
Prepaid expenses and other assets	a	615,994	125,012	376,260	244,923	1,210	1,363,399
Intangible assets	c	19,109,000	8,789,000	6,080,894	25,542,000	-	59,520,894
Property, plant and equipment	f	8,668,261	1,201,734	8,297,395	1,800,254	25,738	19,993,382
Investment in associate	a	-	-	1,634,809	2,859,698	-	4,494,507
Deferred tax assets	a	458,111	-	-	-	-	458,111
Total assets acquired at fair value		49,661,190	14,536,139	24,427,078	36,277,630	1,449,018	126,351,055
LIABILITIES ASSUMED							
Trade payables	b	1,094,432	356,095	1,124,836	316,652	54,302	2,946,317
Accrued liabilities	b	1,132,615	252,795	133,642	611,396	96,972	2,227,420
Income tax payable	b	2,124,970	-	-	-	-	2,124,970
Accrued interest payable	b	6,577,265	-	-	-	-	6,577,265
Advance from a related corporation	b	-	57,974	-	-	1,402	59,376
Debts payable - current portion	b	-	-	28,394	40,000	-	68,394
Debts payable - non-current portion	b,d	14,974,413	-	9,209,764	240,000	-	24,424,177
Total liabilities assumed at fair value		25,903,695	666,864	10,496,636	1,208,048	152,676	38,427,919
Goodwill	e	26,242,505	3,130,725	14,019,558	84,430,418	15,453,658	143,276,864
Total Purchase Price		50,000,000	17,000,000	27,950,000	119,500,000	16,750,000	231,200,000

- a) The carrying values of the assets acquired, including cash and equivalents, accounts receivable, prepaid expenses and other assets, investment in associates and deferred tax assets are all assumed to be representative of their estimated fair values given the short timeframe until settlement.
- b) The carrying values of the liabilities assumed, including trade payables, accrued liabilities, advance from a related corporation, income tax payable, accrued interest payable and debts payable are all assumed to be representative of their estimated fair values given the short timeframe until settlement.
- c) A preliminary fair value estimate of \$59,520,894 has been assigned to intangible assets representing licenses and intellectual properties. The assumptions used to determine the fair value of the acquired licenses and intellectual properties may change as CSAC finalises valuations of the acquired intangible assets following the completion of the Acquisitions.
- d) The carrying value of long term borrowings approximates the fair value of these liabilities. The value is preliminary and subject to change.
- e) Goodwill represents the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized and is not deductible for tax purposes.
- f) Assets acquired at their fair market values include inventory, biological assets and property, plant and equipment.

6) Pro Forma adjustments to the statement of operations in connection with acquisitions

The following summarizes the pro forma adjustments in connection with the acquisitions of the Target Businesses to give effect to the acquisitions as if they had occurred on October 1, 2017 for purposes of the

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unaudited pro forma consolidated statements of operations for the nine months and year ended September 30, 2018:

- a) Intercompany balances were eliminated on consolidation consequent to acquisitions of the Target Businesses by CSAC.
- b) Intercompany transactions in the nature of sales, purchases and management fee were eliminated on consolidation consequent to the acquisitions of the Target Businesses by CSAC.
- c) To incorporate estimated transaction cost of \$6,000,000 in connection of acquisition of the Target Businesses by CSAC.
- d) The tax rate is expected to be approximately 27% as a result of acquisitions. However, no impact of tax other than what is reflected historically on the financial statements of the Issuer and the entities being acquired, has been shown in the Pro Forma statements.

7) Constructed/calculated statements of operations

The financial statements of the businesses used to prepare the pro forma financial statements, were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for the businesses included elsewhere in the prospectus.

For the purpose of the unaudited pro forma consolidated financial statements, the respective entities' unaudited pro forma statements of operations for the year ended September 30, 2018 were calculated as follows:

Sira

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	12M Ended December 31, 2017 \$	Less: 9M Ended September 30, 2017 \$	Plus: 9M Ended September 30, 2018 \$	12M Ended September 30, 2018 \$
Revenues, net of discounts	6,293,763	3,232,598	11,943,362	15,004,527
Cost of goods sold before biological asset adjustment	4,906,883	3,519,086	5,083,275	6,471,072
	1,386,880	(286,488)	6,860,087	8,533,455
Fair value changes in biological assets included in cost of sales	(10,274,274)	(5,973,529)	(11,279,968)	(15,580,713)
Unrealized gain on biological asset transformation	12,015,641	9,843,065	8,964,482	11,137,058
Gross profit (loss)	3,128,247	3,583,048	4,544,601	4,089,800
Expenses				
Transaction costs	-	-	-	-
General and administrative	3,134,182	2,647,175	4,443,880	4,930,887
Sales and marketing	303,852	154,075	270,746	420,523
Depreciation	58,404	50,183	117,586	125,807
Licensor profit share	-	-	-	-
Management fee	-	-	211,815	211,815
Net unrealized loss on changes in the fair value of financial liabilities	-	-	-	-
Total expenses	3,496,438	2,851,433	5,044,027	5,689,032
Income (loss) from operations	(368,191)	731,615	(499,426)	(1,599,232)
Other (income) expense				
Share of (income) loss on equity investments	-	-	-	-
Interest expense	2,526,809	1,865,553	2,053,749	2,715,005
Interest income	-	-	-	-
Management fee income	-	-	-	-
Rental income and others	(3,321)	(2,105)	(78,103)	(79,319)
Total other (income) expense	2,523,488	1,863,448	1,975,646	2,635,686
Income tax (recovery) expense	680,384	(10,499)	1,563,825	2,254,708
Net income (loss)	(3,572,063)	(1,121,334)	(4,038,897)	(6,489,626)

Canopy

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	12M Ended December 31, 2017 \$	Less: 9M Ended September 30, 2017 \$	Plus: 9M Ended September 30, 2018 \$	12M Ended September 30, 2018 \$
Revenues, net of discounts	7,135,024	4,094,054	8,239,926	11,280,896
Cost of goods sold before biological asset adjustment	3,496,736	2,018,954	3,908,181	5,385,963
	3,638,288	2,075,100	4,331,745	5,894,933
Fair value changes in biological assets included in cost of sales	-	-	-	-
Unrealized gain on biological asset transformation	-	-	-	-
Gross profit (loss)	3,638,288	2,075,100	4,331,745	5,894,933
Expenses				
Transaction costs	-	-	-	-
General and administrative	1,455,043	1,032,058	1,287,613	1,710,598
Sales and marketing	190,850	115,717	217,284	292,417
Depreciation	16,483	11,262	27,548	32,769
Licensors profit share	-	-	-	-
Management fee	201,000	141,000	366,848	426,848
Net unrealized loss on changes in the fair value of financial liabilities	-	-	-	-
Total expenses	1,863,376	1,300,037	1,899,293	2,462,632
Income (loss) from operations	1,774,912	775,063	2,432,452	3,432,301
Other (income) expense				
Share of (income) loss on equity investments	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Management fee income	-	-	-	-
Rental income and others	-	-	-	-
Total other (income) expense	-	-	-	-
Income tax (recovery) expense	-	-	-	-
Net income (loss)	1,774,912	775,063	2,432,452	3,432,301

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Washoe

	12M Ended December 31, 2017 \$	Less: 9M Ended September 30, 2017 \$	Plus: 9M Ended September 30, 2018 \$	12M Ended September 30, 2018 \$
Revenues, net of discounts	6,054,620	4,968,055	5,628,048	6,714,613
Cost of goods sold before biological asset adjustment	3,281,125	3,804,756	2,827,174	2,303,543
	2,773,495	1,163,299	2,800,874	4,411,070
Fair value changes in biological assets included in cost of sales	(1,061,462)	(796,097)	(726,225)	(991,590)
Unrealized gain on biological asset transformation	1,167,367	1,167,367	1,491,432	1,491,432
Gross profit (loss)	2,879,400	1,534,569	3,566,081	4,910,912
Expenses				
Transaction costs	-	-	-	-
General and administrative	842,739	636,352	600,829	807,216
Sales and marketing	139,000	69,040	122,797	192,757
Depreciation	262,491	20,056	252,556	494,991
Licensor profit share	-	-	-	-
Management fee	-	-	160,000	160,000
Net unrealized loss on changes in the fair value of financial liabilities	-	-	-	-
Total expenses	1,244,230	725,448	1,136,182	1,654,964
Income (loss) from operations	1,635,170	809,121	2,429,899	3,255,948
Other (income) expense				
Share of (income) loss on equity investments	(922,955)	(403,033)	(1,345,699)	(1,865,621)
Interest expense	470,564	334,045	336,818	473,337
Interest income	(15,000)	(4,000)	(12,067)	(23,067)
Management fee income	(201,000)	(141,000)	(125,000)	(185,000)
Rental income and others	(35,344)	(13,348)	(68,244)	(90,240)
Total other (income) expense	(703,735)	(227,336)	(1,214,192)	(1,690,591)
Income tax (recovery) expense	-	-	-	-
Net income (loss)	2,338,905	1,036,457	3,644,091	4,946,539

Cannabis Strategies Acquisition Corp.
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at September 30, 2018 (expressed in US\$)

LivFree

	12M Ended December 31, 2017 \$	Less: 9M Ended September 30, 2017 \$	Plus: 9M Ended September 30, 2018 \$	12M Ended September 30, 2018 \$
Revenues, net of discounts	14,465,998	8,245,855	23,946,093	30,166,236
Cost of goods sold before biological asset adjustment	9,254,267	5,264,537	14,964,558	18,954,288
	5,211,731	2,981,318	8,981,535	11,211,948
Fair value changes in biological assets included in cost of sales	-	-	-	-
Unrealized gain on biological asset transformation	-	-	-	-
Gross profit (loss)	5,211,731	2,981,318	8,981,535	11,211,948
Expenses				
Transaction costs	-	-	-	-
General and administrative	2,421,518	1,622,752	2,748,346	3,547,112
Sales and marketing	299,683	236,585	363,791	426,889
Depreciation	145,099	106,303	140,646	179,442
Licensor profit share	-	-	-	-
Management fee	-	-	-	-
Net unrealized loss on changes in the fair value of financial liabilities	-	-	-	-
Total expenses	2,866,300	1,965,640	3,252,783	4,153,443
Income (loss) from operations	2,345,431	1,015,678	5,728,752	7,058,505
Other (income) expense				
Share of (income) loss on equity investments	(586,966)	(58,688)	(912,968)	(1,441,246)
Interest expense	-	-	-	-
Interest income	-	-	-	-
Management fee income	-	-	-	-
Rental income and others	4,043	-	-	4,043
Total other (income) expense	(582,923)	(58,688)	(912,968)	(1,437,203)
Income tax (recovery) expense	-	-	-	-
Net income (loss)	2,928,354	1,074,366	6,641,720	8,495,708

Cannabis Strategies Acquisition Corp.
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at September 30, 2018 (expressed in US\$)

CannaPunch

	12M Ended December 31, 2017 \$	Less: 9M Ended September 30, 2017 \$	Plus: 9M Ended September 30, 2018 \$	12M Ended September 30, 2018 \$
Revenues, net of discounts	2,668,521	1,379,235	4,807,156	6,096,442
Cost of goods sold before biological asset adjustment	1,330,007	701,236	2,131,676	2,760,447
	1,338,514	677,999	2,675,480	3,335,995
Fair value changes in biological assets included in cost of sales	-		-	-
Unrealized gain on biological asset transformation	-		-	-
Gross profit (loss)	1,338,514	677,999	2,675,480	3,335,995
Expenses				
Transaction costs	-	-	-	-
General and administrative	277,982	139,708	690,174	828,448
Sales and marketing	53,494	31,204	65,761	88,051
Depreciation	-	-	-	-
Licensor profit share	423,501	265,470	740,847	898,878
Management fee	-	-	-	-
Net unrealized loss on changes in the fair value of financial liabilities	-	-	-	-
Total expenses	754,977	436,382	1,496,782	1,815,377
Income (loss) from operations	583,537	241,617	1,178,698	1,520,618
Other (income) expense				
Share of (income) loss on equity investments	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Management fee income	-	-	-	-
Rental income and others	-	-	-	-
Total other (income) expense	-	-	-	-
Income tax (recovery) expense	-	-	-	-
Net income (loss)	583,537	241,617	1,178,698	1,520,618

Cannabis Strategies Acquisition Corp.
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at September 30, 2018 (expressed in US\$)

8) Pro Forma adjustments to the Pro Forma statement of Financial Position in connection with the Acquisitions of the Target Businesses

The following summarizes the pro forma adjustments in connection with the acquisitions of the Target Businesses to give effect to the acquisitions as if they had occurred on October 1, 2017 for purposes of the unaudited pro forma consolidated statement of financial position as at September 30, 2018:

- a) Cash, shares and notes payable totaling \$231,200,000 is paid/issued on the acquisitions.
- b) To reflect the fair value adjustment to the licenses and intellectual property as discussed under “Preliminary Acquisition Accounting” section above (refer to note 5(c)).
- c) Goodwill represents the excess of the preliminary estimated purchase price over the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed by CSAC. Goodwill represents the value of intangible assets that do not qualify for separate recognition.
- d) All members’ equity relating to the Target Businesses were eliminated upon each respective acquisition thereof by CSAC.
- e) Upon the acquisition of each of the Target Businesses, the restricted cash and short-term investments held in escrow was transferred to cash.
- f) To incorporate estimated transaction cost of \$6,000,000 in connection of acquisition of Target companies by CSAC.
- g) This adjustment relates to the closing of the transaction. This adjustment has been presented assuming no redemption of CSAC’s Class A Restricted Voting Shares, prior to the closing of the transaction. The adjustment includes the following elements: (i) release of \$104.8 million from restricted cash held in the form of flexible guaranteed investment certificates to cash, and (ii) release of \$3.6 million to pay deferred underwriters commission. The number of CSAC Class A Restricted Voting Shares that will be redeemed will occur at the time of completion of the transactions cannot be known until shortly before the time that the transactions are affected. The redemption of no CSAC Class A Restricted Voting Shares used in the pro forma financial statements is an assumption for illustrative purposes.

From a sensitivity perspective, if this adjustment had been presented assuming a redemption of 50% of CSAC Class A Restricted Voting Shares, then \$52.4 million of restricted cash and flexible guaranteed investment certificates will be converted into cash resources and \$52.4 million will be used to settle the redemption of 50% of the CSAC Class A Restricted Voting Shares. If this adjustment had been presented assuming a redemption of 25% of CSAC Class A Restricted Voting Shares, then \$78.6 million of restricted cash and flexible guaranteed investment certificates will be converted into cash resources and \$26.2 million will be used to settle the redemption of 25% of the CSAC Class A Restricted Voting Shares.

- h) To show the repayment of the Deferred underwriters’ commission as a reduction of the liability and cash.
- i) To adjust for the fair market value of assets taken over by CSAC on acquisition as disclosed in Note 5.

Cannabis Strategies Acquisition Corp.
Notes to the Unaudited Pro Forma Consolidated Financial Statements
As at September 30, 2018 (expressed in US\$)

9) Pro Forma Earnings per Share (“Pro Forma EPS”)

The Pro Forma EPS have been adjusted to reflect the pro forma unaudited consolidated statement of operations for the year ended September 30, 2018. In addition, the number of shares used in calculating the unaudited pro forma consolidated basic and diluted earnings per share has been adjusted to reflect the estimated total number of common shares of CSAC that would be outstanding as of the closing of the acquisitions of the Target Businesses.

The pro forma total number of shares of common stock of the consolidated corporation that would be outstanding after the expected closing of the acquisitions of the Target Businesses noted below in the table.

The following is a breakdown of the EPS calculation:

	Year ended September 30, 2018
Net loss	\$ (24,420,543)
CSAC shares:	
Class A shares	13,475,000
Class B shares	3,696,485
Exchangeable shares	7,614,706
Weighted average number of shares outstanding	24,786,191
Loss per share - basic and diluted	\$ (0.99)

CERTIFICATE OF CSAC AND PROMOTER

December 10, 2018

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by securities legislation of each of the provinces and territories of Canada, other than Quebec.

By: (SIGNED) "*JONATHAN SANDELMAN*"

JONATHAN SANDELMAN
CHIEF EXECUTIVE OFFICER,
CHAIRMAN AND CORPORATE
SECRETARY

By: (SIGNED) "*CARMELO MARRELLI*"

CARMELO MARRELLI
CHIEF FINANCIAL OFFICER

ON BEHALF OF THE BOARD OF DIRECTORS

By: (SIGNED) "*MARK SMITH*"

MARK SMITH
EXECUTIVE VICE CHAIRMAN AND
DIRECTOR

By: (SIGNED) "*KAMALDEEP THINDAL*"

KAMALDEEP THINDAL
DIRECTOR

Mercer Park CB, L.P., by its general partner, Mercer
Park CB GP, LLC, AS PROMOTER

By: (SIGNED) "*JONATHAN SANDELMAN*"

JONATHAN SANDELMAN
MEMBER